



# COMMISSION ON HEALTHCARE & HOSPITAL FUNDING

Florida Health Sciences Center, Inc.

D/B/A Tampa General Hospital

Wednesday, June 17, 2015



# WHO WE ARE

# CORPORATE STRUCTURE

- Florida Health Sciences Center, Inc. (FHSC). d/b/a Tampa General Hospital is a Florida not for profit corporation, organized and operated exclusively for a charitable, educational or scientific purpose
- Until 1997, TGH was a public hospital, owned and operated by the Hillsborough County Hospital Authority (HCHA). In 1997, TGH was converted to a not for profit corporation and the real property was leased from the HCHA
- Lease agreement between HCHA and FHSC for the Davis Islands real property, buildings, and improvements, including covenants to
  - Provide indigent care to Hillsborough County residents;
  - Participate in the Hillsborough County Health Plan (HCHCP);
  - Maintain Joint Commission certification;
  - Participate in the Medicare and Medicaid programs;
  - Provide certain services and specialized programs including: designation as a Level I Trauma Center, Level II and III neonatal intensive care, burn services, open heart surgery and organ transplantation;
  - Participate in graduate medical education;
- Affiliates and Subsidiaries
  - USF Health Morsani College of Medicine, joint collaboration affiliation agreement
  - Tampa General Medical Group, Inc., for the employment of physicians
  - Florida Health Sciences Center, Ltd, an offshore captive providing professional and general liability
  - FHSC Real Property Holding Co., LLC, holds properties for future use
  - Tampa General Hospital Foundation, Inc., formed for the sole purpose of supporting the Hospital through its fundraising activities
  - West Florida Health, Inc., joint venture partnership with Adventist Health System , to provide greater access to a spectrum of services

# GOVERNANCE

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- **Board of Directors**

- Self-perpetuating containing a maximum of 16 independent, community directors
- Standing committees include executive, finance, audit, strategic planning, compensation, and quality improvement
- Selects the President and Chief Executive Officer ("CEO")
- Delegates the operation of the Hospital to the senior management team
- Annually reviews and approves
  - Operating and capital budgets
  - Compensation for all members of senior management
  - Short- and long-term goals
- Ensures fulfillment of tax exempt mission

- **Earnings**

- May not inure to any individual and cannot be used for a private benefit.
- Must be reinvested in operations or accumulated for future needs.

# GOVERNING PERFORMANCE

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- **Short-term Measurements**
  - Operating margin
  - Selected quality indicators
  - Acuity adjusted length of stay
  - Patient experience
- **Long-term Measurements**
  - Expanding access to care
  - Meeting the challenges demanded by both state and federal health care reform initiatives
- **Community Need**
  - Provide emergency care, regardless of ability to pay
  - Provide treatment and/or promote health in response to an identified community need
  - Provide financial assistance as defined
  - Limit the amount charged to those qualifying for indigent care
  - Conduct a tri-annual community needs assessment

# SERVICE AREA

- **12-county area extending from Citrus County in the north to Charlotte County in the south with a population in excess of 4 million**
  - Approximately 70% of admissions reside in Hillsborough County
  - Approximately 24% reside in the 11 counties
  - Approximately 6% from other Florida counties, other states and countries
- **Expected percent change in population from 2013 through 2018**
  - In Hillsborough, an increase in excess of 7%, with 65 years and older in excess of 21%
  - In the remaining 11 counties, an increase in excess of 3%, with 65 years and older in excess of 12%
- **Highly competitive service area**
  - Baycare: 5 hospitals with 1,225 beds
  - HCA: 4 hospitals with 903 beds
  - Adventist: 2 hospitals with 595 beds
  - Moffitt: 1 hospital with 206 beds
  - Shriners: 1 hospital with 60 beds

# KEY CLINICAL SERVICES

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- Licensed for 1,011 beds, including 870 general acute, 59 comprehensive rehabilitation, 58 Level III neonatal intensive care and 24 Level II neonatal intensive care
- The region's only Level I Trauma Center and one of only seven in the State
- The only Burn Center on the West Coast of Florida and one of only three burn centers in the State verified by the American Burn Association
- One of only nine head and spinal cord injury centers in the State and one of only three designated for pediatric head and spinal cord patients;
- The only State certified Regional Perinatal Intensive Care Center in Hillsborough County and one of only 12 in Florida
- A center for solid organ transplantation providing pediatric and adult kidney transplant services as well as adult liver, pancreas, heart, lung and liver transplants
- Regional referral center for infectious disease, cardiac services, orthopedics, pediatrics, neonatology, high risk and normal obstetrics, bloodless medicine and surgery, the neurosciences, and parathyroid surgery
- Access to advanced care for the critically injured from 23 surrounding counties via four medical helicopters
- Thirty-five primary care physicians at 14 sites, and 25 employed specialists primarily transplant related

# EDUCATION

- **Support for the USF Health Morsani College of Medicine:**
  - The primary teaching hospital site for about 325 residents, of which Medicare funds only 201
  - Resident salaries and related support in excess of **\$26 million**
  - Clinical services for inpatient coverage and indigent care in excess of **\$26 million**
- **Serves as the clinical site for a number of different university and community college health training programs for medical, nursing, pharmacy, and physical therapy students:**
  - University of South Florida
  - University of Tampa
  - Hillsborough Community College
  - St. Petersburg College
- **Support for clinical research**
  - In excess of 570 clinical trials
  - Coordination services for outpatient studies



# ECONOMIC IMPACT

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- One of the top ten employers in Tampa Bay
  - In excess of **7,300** employees
  - Personnel costs in excess of **\$490 million** for employees who reside in the area and purchase goods and services
- In excess of **1,200** credentialed medical staff physicians
- Myriad purchased services and supplies of **\$479 million**
- Anticipated capital expenditures in excess of **\$100 million** annually

# PERFORMANCE INDICATORS

# UTILIZATION

|  | <u>2011</u> | <u>2012</u> | <u>2013</u> | <u>2014</u> | <u>4/30/2015<sup>(a)</sup></u> |
|--|-------------|-------------|-------------|-------------|--------------------------------|
| <b><u>INPATIENT UTILIZATION:</u></b>     |             |             |             |             |                                |
| <b>Discharges</b>                        | 39,449      | 40,248      | 42,079      | 42,129      | 25,201                         |
| Percent change                           | 1.5%        | 2.0%        | 4.5%        | 0.1%        | 3.5%                           |
| <b>Patient days</b>                      | 267,544     | 267,125     | 267,981     | 268,525     | 163,416                        |
| Percent change                           | -1.0%       | -0.2%       | 0.3%        | 0.2%        | 4.6%                           |
| <b>Surgeries</b>                         | 14,610      | 13,513      | 14,085      | 13,863      | 8,223                          |
| Percent change                           | -0.1%       | -7.5%       | 4.2%        | -1.6%       | -0.4%                          |
| Percent to total surgeries               | 51.0%       | 49.0%       | 48.8%       | 47.1%       | 46.4%                          |
| <b>Average daily census</b>              | 733         | 730         | 734         | 736         | 771                            |
| Percent change                           | -1.0%       | -0.4%       | 0.5%        | 0.3%        | 4.6%                           |
| <b>Average case mix index</b>            | 1.765       | 1.707       | 1.736       | 1.741       | 1.740                          |
| Percent change                           | 2.1%        | -3.3%       | 1.7%        | 0.3%        | -1.1%                          |
| <b><u>OUTPATIENT UTILIZATION:</u></b>    |             |             |             |             |                                |
| <b>Emergency room visits</b>             | 84,140      | 82,844      | 87,632      | 90,949      | 55,844                         |
| Percent change                           | 7.4%        | -1.5%       | 5.8%        | 3.8%        | 7.7%                           |
| <b>Surgeries</b>                         | 14,257      | 14,221      | 14,759      | 15,587      | 9,501                          |
| Percent change                           | 5.7%        | -0.3%       | 3.8%        | 5.6%        | 5.1%                           |
| <b>Adjusted Discharges<sup>(b)</sup></b> | 54,836      | 56,373      | 59,044      | 60,788      | 36,710                         |
| Percent change                           | 4.5%        | 2.8%        | 4.7%        | 3.0%        | 5.2%                           |

Source: Hospital Records, excluding newborns

(a) Percent change result of April 2015 compared to April 2014

(b) Incorporates both inpatient and outpatient activity into one statistic

# RECENT ACHIEVEMENTS

- Named one of the 2014 “100 Great Hospitals in America” by Becker’s Hospital Review, a national healthcare publication, one of only two Florida hospitals
- Family Care Centers at Kennedy, Healthpark and Brandon earned the “Patient-Centered Medical Home Level 3 Certification” – the highest certification available from the National Committee for Quality Assurance (NCQA).
- Received Senior Friendly Designation, the only Hillsborough County hospital, and only one of five hospitals in the state
- Named one of the nation’s “100 Hospitals with Great Heart Programs” and “125 Hospitals with Great Ortho Programs” by Becker’s Hospital Review, a national healthcare publication.
- One of the few hospitals in the U.S. to offer intraoperative MRI surgery, to allow imaging of the brain during surgery to ensure successful removal of the entire tumor
- Awarded Stage 7 designation, the highest obtainable, by the Health Information and Management System Society (HIMSS) for Excellence in Electronic Medical Records and Health Information Technology, one of only 2.2% of hospitals to do so
- Earned national recognition as the “Most Wired – Advanced Award Winner” by Hospitals & Health Networks
- Nationally recognized for being “Green”, the only Hillsborough County hospital to have a comprehensive environmental program
- Recognized by the University HealthSystem Consortium (UHC) hospitals as having the top Value Analysis Team for medical supply pricing
- Recognized as one of 21 acute-care hospitals and health systems with strong operational metrics and solid financial positions, based on reports from Moody's Investors Service, Fitch Ratings and Standard & Poor's Ratings Services, in May 2014 by Becker’s Hospital Review

# QUALITY RECOGNITIONS

- Received National Research Corporation's Consumer Choice Award for an unprecedented 9<sup>th</sup> consecutive year
- Named by *U.S News & World Report* Top Hospital in Tampa-St. Petersburg Metro Area for 2014-2015 and #2 hospital in the state
- Recognized by *US News and World Report* "America's Top 50 Hospitals" in four medical specialties: cardiology and heart surgery; nephrology; orthopedics; and urology
- Disease-specific certification from The Joint Commission in 16 medical specialties: Bariatric Surgery, Benign Esophageal Disorder, Burn Treatment, Colorectal Cancer, Epilepsy, Heart Failure, Joint Replacement – Hip, Knee & Shoulder, Multi-System Trauma, Orthopedic Trauma, Pancreatic/Hepatic/Biliary Cancer, Primary Stroke Center (advanced certification), Sleeping Disorder, Uterine-Ovarian Cancer, Ventricular Assist Device (advanced certification)
- Awarded Magnet designation for nursing excellence for the third consecutive time, a feat obtained by less than 1% of hospitals, from the American Nurses Credentialing Center
- Beacon Award for Excellence from the American Association of Critical-Care Nurses
- Accreditations from the Commissions on Accreditation of Medical Transport Systems (CAMTS) and of Rehabilitation Facilities (CARF)
- Comprehensive Stroke Certification from Healthcare Facilities Accreditation Program (HFAP)
- Comprehensive Center with Adolescent Qualifications by the Metabolic and Bariatric Surgery Accreditation and Quality Improvement Program
- First and only program in Florida to achieve verification from the American College of Surgeons for the quality trauma care

# QUALITY INITIATIVES

- **Readmission Prevention:**

- Enrolled in two of Medicare's Bundled Payments for Care Improvements pilots for major joint and major bowel, requiring innovations in reducing readmission through pre-operative planning, and clinical concierge-like assistance.
- Placed TGMG physicians and extenders in skilled nursing facilities to improve transitions of care
- Expansion of primary care sites and physicians in addition to the development of a clinically integrated network
- Succeeded in reducing Heart Failure readmissions by 3% since October 2014.

- **Injury/Infection Efforts:**

- Since 2013, reduced the occurrences of Accidental Punctures and Lacerations by 50%
- Since 2014,
  - Reduced the occurrences of Deep Vein Thrombosis by 25%
  - No occurrences of Pressure Ulcers
  - Reduced Catheter Associated Urinary Tract Infections by 114%
- Daily review of need for devices deemed infection risks to patients
- Central Line Associated Blood Stream Infections Standardized Infection Ratio consistently better than national benchmark

# COMMUNITY BENEFIT AT COST

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|                           |                              |
|---------------------------|------------------------------|
| Medicaid loss, net        | \$ 17,248,000                |
| Charity care              | 56,352,000                   |
| Community health services | 7,522,000                    |
| Education and research    | <u>23,631,000</u>            |
| Community benefit         | <u><u>\$ 104,753,000</u></u> |
| Medicare loss, net        | <u>\$ 4,430,000</u>          |

# FINANCING TGH



# PROFITABILITY INDICATORS

|                         | <u>2011</u> | <u>2012</u> | <u>2013</u> | <u>2014</u> | <u>4/30/2015</u> |
|-------------------------|-------------|-------------|-------------|-------------|------------------|
| Operating margin        | 0.9%        | 0.9%        | 3.1%        | 4.5%        | 3.6%             |
| Total margin            | 4.1%        | 2.6%        | 4.6%        | 8.9%        | 5.3%             |
| Per adjusted discharge: |             |             |             |             |                  |
| Operating revenues      | \$ 16,516   | \$ 15,641   | \$ 15,533   | \$ 15,968   | \$ 16,246        |
| Percent change          | 5.3%        | -5.3%       | -0.7%       | 2.8%        | 1.7%             |
| Operating expenses      | \$ 16,367   | \$ 15,500   | \$ 15,055   | \$ 15,244   | \$ 15,609        |
| Percent change          | 4.25%       | -5.29%      | -2.87%      | 1.26%       | 2.39%            |
| U.S. inflation rates    | 3.0%        | 2.1%        | 1.5%        | 1.6%        | -                |

# THE NEED FOR PROFIT

- A positive margin is required to help finance resources needed to keep pace with providing high quality patient care, the demands of an aging population, continued medical education support, the rise of chronic diseases, meeting community benefit obligations, the impact of healthcare reform and the continuous need for reinvestment in facilities and equipment
- Over the last five years, the allocation of \$191 million in capital investment was
  - 55% to clinical, revenue generating activities
  - 26% to technology innovation
  - 19% to infrastructure
- Limited sources of funding exist to continue reinvestment in programs, services and facilities
  - Profits
  - Cash
  - Debt
  - Philanthropy
- The borrowing capacity is dependent upon creditworthiness as reflected in our bond rating , and is a function of sustainable profitability and liquidity

# REVENUES

- **Pricing**

- Those covered by Medicare, Medicaid and Private Insurance follow pre-determined fee schedules
- Tax exemption requires a charity care (financial assistance) policy, including a limitation on the amount indigents can be charged for services and restrictions on certain collection practices.

- **For those qualifying for financial assistance, Amounts Generally Billed methodology applied:**

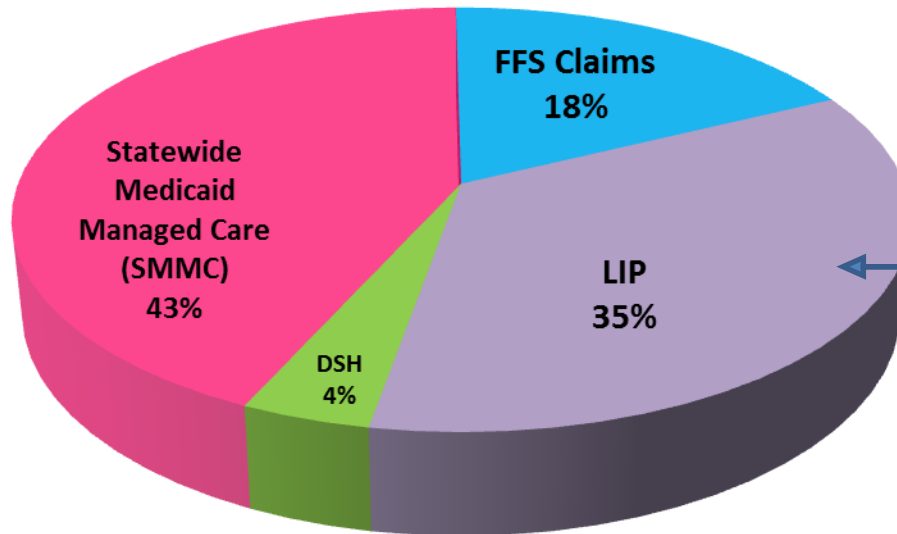
- One of the federally approved methods used for calculating uninsured discounts
- Based on actual claims paid by Medicare fee-for-service and all private health insurers
- Must calculate no less than annually

- **Free care**

- Based on an evaluation of income and assets, individuals with household income less than or equal to 200% of the Federal Poverty Level (FPL)
- Individuals whose household income is less than 400% of the FPL and whose hospital charges are greater than 25% of their annual income

# TGH MEDICAID FUNDING

Source of Net Payments  
to TGH in SFY 2014-15



LIP Funding Sources related to TGH  
(in millions)

|                              |               |
|------------------------------|---------------|
| State General Revenue        | \$ 0.3        |
| Local Taxes & Other Agencies | \$23.2        |
| Federal Funds                | \$63.1        |
| <b>Total (Net)</b>           | <b>\$86.6</b> |

For TGH, payments through the LIP program constitute a significant portion of overall reimbursement.

# EXPENSES

- **Operating expenses**
  - 82% dedicated to clinical programs
  - 12% dedicated to general and administrative activities
  - Highly paid individuals (35) account for 4.8% of salary costs and 1.8% of total costs
  - Since 2012, rate of increase in operating expenses less than inflation
- **Executive compensation**
  - Board of Directors conducts an annual, independent, impartial review of executive/key employee compensation criteria to safeguard against excessive compensation arrangements
  - Rebuttable Presumption has been satisfied by
    - The establishment of our Compensation Committee comprised of Board members and consultants with no conflict of interest
    - An in force compensation policy that requires
      - The assessment of all areas and appropriate of comparable data from similar organizations in size, sector and region in order to determine a range for executive compensation
      - Contemporaneous documentation of the basis for determination and approval by the Compensation Committee and the Board

# MISSION DRIVEN

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- As a safety net hospital, we provide the most highly specialized medical care while serving a disproportionate number of low income patients in the community
- We provide significant amounts of charity care, subsidized health services, financial and in-kind contributions to local charities, and community health improvement
- As an academic teaching facility, we participate in training the nation's future physicians, nurses, pharmacists and physical therapists, and we further the future of medicine through research.
- All of our excess earnings are reinvested in programs and facilities to improve the health of the community.