

## DRAFT MEETING MINUTES

### COMMISSION ON HEALTHCARE AND HOSPITAL FUNDING

**Meeting Date:** June 17, 2015

**Time:** 8:00 a.m. – 12:00 p.m.

**Location:** University of South Florida, Patel Center for Global Solutions Auditorium

**Members Present:** Carlos Beruff, Chair; Tom Kuntz, Vice Chair; General Chip Diehl; Marili Cancio Johnson; Eugene Lamb; and Dr. Ken Smith (via phone)

**Members Absent:** Dr. Jason Rosenberg; Sam Seevers; and Robert Spottswood

**Executive Directors Present:** Dr. John Armstrong, State Surgeon General and Elizabeth Dudek, Secretary of the Agency for Health Care Administration

**Interested Parties Present:** Jon B., Lakeland Regional Health; Amy Bergen, University of South Florida; Wendy Brie, Greater Tampa Chamber of Commerce; Melanie Brown, JB; Roberta K. Burford, USF Health; Jim Burkhart, Tampa General Hospital; Linda Christmann, Marti Coley, Nemours: Children's Health System; Richard Conard, MD; Nicole Dollison, Manatee memorial Hospital; John Dum, Tampa General Hospital; Keri Eisenbeis, Morton Plant North Bay Hospital; Jennifer Espinola, USF; Chris F., Manatee Memorial Hospital; Kris Hoce, Morton Plant Mease Healthcare; Doug Holt, Department of Health; Scott Hopes, University of South Florida; Steve Huard, Florida Department of Health; Joseph Hwang, Manatee Memorial Hospital; Laura Lenhart, Moffitt Cancer Center; Amy Mcguire, John Patterson, UF Health Shands Hospital; Lisa Patterson, Morton Plant North Bay Hospital; Bob Rohrlack, Greater Tampa Chamber of Commerce; Steve Short, Tampa General Hospital; Charles Slater, Jeannie Slater, Ted Sparks, Dr. Silverman, Kim Streit, FHA; and Teresa West, Jay Wolfson, University of South Florida.

**Media:** The Florida Channel; Kelli Christensen, University of South Florida Health News; Maggie Clark, Sarasota Herald Tribune; Daniel Figueroa, The Ledger; Kathleen McGrory, Tampa Bay Times; Larry Perkins, WTSP-TV; Jerry S., The Tampa Tribune; and Lottie Watts, WUSF News.

**Call to Order:** Carlos Beruff, Chair, called the meeting to order and called role.

**Review and Approval of June 4<sup>th</sup> Meeting Minutes:** At the start of the meeting, a quorum was not present so the meeting minutes could not be approved.

**Presentation from Tampa General Hospital:** Dr. James Burkhart, President and Chief Executive Officer of Tampa General Hospital, provided a brief overview of his educational and professional background. He stated the mission and vision of Tampa General Hospital.

He stated that the Tampa General Hospital is a not-for-profit hospital and operated exclusively for a charitable, educational or scientific purpose. The hospital has many affiliates and subsidiaries, including the University of South Florida. He stated that all earnings must be reinvested in operations or used for future needs and cannot be used for a private benefit. Tampa General Hospital's Board of Directors has

a maximum of 16 independent, community directors that selects the President and CEO as well as ensuring they fulfill their mission as a tax exempt hospital.

Dr. Burkhart stated they are in a highly competitive area and serve a 12 county area with population in excess of 4 million people and licensed for 1,011 beds. Their short term measurements include selected quality indicators and operating margin, while their long term measurements are expanding access to care and meeting the challenges of state and federal reform. They adhere to the community need of providing emergency care, regardless of the ability to pay. He also stated their key clinical services and that the only physicians that the facility employs are transplant physicians and primary care physicians.

The average daily census (midnight census) is 915 patients. The majority (66%) of the hospital's patients are admitted through the emergency department however he noted that Shands Jacksonville has a higher number of patients admitted through the emergency department.

Dr. Burkhart informed the Commission of the hospital's efforts in providing family care centers; home care; telemedicine; information technology (Level 7); and quality improvements in readmissions, infections, and injuries.

Dr. Burkhart discussed the financial aspects of Tampa General Hospital. Tampa General Hospital is a top employer in the Hillsborough area and buys around \$500 million in supplies and has \$100 million in capital costs each year.

He stated that in regard to cost of Medicaid care that they lose 17 million dollars and 4 million dollars in Medicare a year. They have invested 23 million dollars in education and research; 7.5 million dollars in community health services; and 56 million dollars in charity care. The total benefit to the community is over 104 million dollars. The hospital has to shift cost to private payers and rely on donations to make a profit.

He clarified Tampa General Hospital has a free care policy and program. He noted that the Low Income Pool (LIP) makes up 35 percent of its Medicaid reimbursement.

Dr. Burkhart discussed why it is essential to have profit. He stated that profits help to provide quality care and that the money is used for clinical expenses (55%), technology (26%), and infrastructure (19%).

He also noted that having a good bond rating is essential when borrowing money and if you are not profitable you will not be able to acquire bonds.

The executive compensation for his hospital was discussed and Dr. Burkhart stated that it is approved by the board with an annual independent review.

General Diehl thanked Dr. Burkhart for his service to the country. He stated that Dr. Burkhart is very humble and an important partner with MacDill Air Force Base and creating a state-of-the-art super clinic. He noted that Tampa General is located in an urban area and a gem for the community. He questioned how the hospital will deal with the decreasing LIP funds.

Dr. Burkhart stated that an alternative needs to be developed now with two million uninsured in Florida—a new funding model. He noted that everyone needs to work together—Senate, House and hospitals. Dr. Burkhart also noted that payer mix drives everything—used his experience in Knoxville as an example, suburban vs. urban. Stated that when he ran Shands Jacksonville that the payer mix was 51 percent Medicaid/charity care which was an extremely difficult payer mix to manage from a financial perspective.

Vice Chair Kuntz questioned Dr. Burkhart on certificate of need (CON) and why is the program necessary. Dr. Burkhart responded that it is complex and could be improved on significantly. He noted that the program, specialty hospitals and suburban hospitals can siphon off patients that subsidize urban hospitals. He also noted that there is a limitation of resources noting transplant services and that there is a limited source of organs. Dr. Burkhart stated that CON provides a level playing field. He indicated that CON should be reworked but it should not be discarded. Dr. Burkhart indicated that the unnecessary duplication of services wastes Medicaid and taxpayer money.

Vice Chair Kuntz asked about other states where CON has been eliminated. Dr. Burkhart indicated that Texas is a disaster—specialty hospitals are killing the urban general hospitals. He noted long term acute care has a moratorium on a federal level.

Vice Chair Kuntz questioned whether emergency care is profitable. Dr. Burkhart indicated that it depends on the payer mix. Dr. Burkhart noted that emergency clinics care for those patients are utilizing the emergency room for primary care reasons—those patients in the emergency room are not profitable. Primary and urgent care access is important but in the future it should be better coordinated in terms of unnecessary duplication of tests.

Vice Chair Kuntz asked if Tampa General had to cut ten percent of the budget—what are the top three inefficiencies of the hospital? Dr. Burkhart stated placement issues, regulatory issues and insurance reform (a standardized template). Vice Chair Kuntz referred to these as mainly external measures, and asked what internal measures could be reviewed? Dr. Burkhart responded that productivity, supply chain standardization and working with physicians to standardize products/procedures are from the internal prospective of inefficiency.

Mr. Lamb thanked Dr. Burkhart for having a great hospital and asked if CON was eliminated, what would prevent a hospital located in a poor area from moving to a more affluent area? Dr. Burkhart stated nothing would prevent a hospital from moving. Dr. Burkhart contended that if UF Shands Jacksonville goes away, the Medicaid and indigent population will not be able to go to St. Vincent's, HCA Memorial or Baptist.

**Guest Speaker Dr. Marty Makary:** Chair Beruff introduced Dr. Marty Makary, associate professor at Johns Hopkins School of Public Health and author of *Unaccountable: What Hospitals Won't Tell You and How Transparency Can Revolutionize Health Care*. Dr. Makary has been a leader in doctor led efforts to reform hospitals through transparency. He is a commentator for Fox News.

Dr. Makary formally thanked the Governor and the Commission. He began his presentation by telling some anecdotes including one about President Garfield and Dr. Bliss. Noting that President Garfield died from one of the most costly factors then and now in medicine—variation in treatment, specifically overtreatment. Dr. Makary noted that a pancreas/islet transplant surgery patient died due to variation, specifically unnecessary and excessive cardiac tests. He also noted that the entire healthcare market is on an island with its own terminology, model and accounting.

Dr. Makary then referred to a study showing that 15 to 30 percent of treatment is unnecessary. For example, over half of all heart stents are unnecessary. Dr. Makary showed data on how often people are harmed in the process of getting help at hospitals—the low end of the spectrum is 210,000 with the high end at 400,000. He noted how many people are dying due to variation in the United States each year—variation, or in broad terms, medical mistakes is the third leading cause of death in the United States. Dr. Makary stated that this is extremely costly.

Dr. Makary stated that doctors have created two standards of care, and that not everyone is a candidate for the better approach. He contended that this is one of the greatest disparities in American health care today, that people are unaware of what the best treatment is. He noted that the number two surgery in the United States, hysterectomy, can be done in a minimal invasive way or through major surgery. People choose between these methods without any information or transparency. Health care is an incompetent marketplace due to lack of transparency and lack of performance measures.

Dr. Makary noted that there are things in health care that are easy to measure but no one has started measuring them and some items are measured and mean nothing—the difficult items to measure have much more meaning. He presented examples of measures such as blood stream infections, which represent less than 1 percent of occurrence and patient satisfaction, which is easy to measure but alone is not a comprehensive metric of quality.

The underlying endemic of unmeasured variation is an opportunity for improvement in health care and the Harvard Business Review stated the misconception is thinking there are silver bullets to fixing the system such as fraud prevention, more guidelines, more convenient primary care, malpractice reform, and electronic health records that maximize billing and not reduce costs. Health care needs a competent market place where hospitals compete based on value—outcome over price.

Dr. Makary stated that nobody measures outcomes and getting price data is difficult, messy and variable. He indicated that there are 153 registries in the country, mostly self-reported with only 18 percent of registries auditing their data. He maintained that the state of measuring health care is poor but noted that Florida is ahead of the curve in collecting data as well as measuring and reporting metrics.

Dr. Makary contended that a solution to address variation, Improving Wisely, gets top doctors to endorse metrics for their field, thereby endorsing the results of the analysis. This gives the gravitas of peer-to-peer notification and eventually improves the behavior. Dr. Makary feels Improving Wisely reduces variation, measures improvement over time and measures savings.

Dr. Makary indicated some truths in health care include:

- The top one percent of Medicare providers account for 14 percent of Medicare compensation.
- Surgery is the highest cost single encounter in the health care system.
- Hospitals, as well as doctors, profit from complications.
- The malpractice system addresses rare egregious cases of complications – the real problem is patterns of bad medicine.

Dr. Makary commented on the national health care law and indicated that the law does not control the underlying problem of cost inflation. He stated that offering a fixed price, including complications as they do in plastic surgery, might be a solution. Dr. Makary noted that the state of health care insurance might lead to catastrophic insurance coverage with hospitals transforming into ICUs and emergency rooms. He stated that in the United States today, there is not a business case to reduce complications and save costs.

Dr. Makary asserted that there is a need for fresh new ideas in health care and offered opportunities for the Commission's consideration:

- Consider publicly reporting on hospital safety culture scores to augment existing reported metrics;
- Crowd source outlier performance using physician wisdom and apply waste metrics to Florida data, then confidentially notify of outliers;
- Reward measurement;
- Change the death certificate process to allow for measuring preventable harm;
- Consider a global payment structure with hospital input; and
- Encourage hospitals to offer global fixed prices for simple surgeries and an uncomplicated baby delivery.

Chair Beruff thanked the Doctor and asked for questions from the Commission and the audience. Ms. Marili Cancio Johnson stated that she enjoyed Dr. Makary's book and noted that to reduce costs the state needed to promote transparency and improve accountability.

Vice Chair Kuntz noted the complexity of the hospital industry and questioned why the system isn't more transparent? Dr. Makary stated that health care rides waves focusing what needs to be fixed – malpractice, errors, and payment. The new wave focuses on high deductible market places driving fixed global pricing and the costs of overtreatment. It is now being recognized that there is a huge demand for transparency but the incentives don't follow the behavior at present and facilities are not rewarded in the current model, which is a problem.

Dr. Silverman (from the audience) asked a question on electronic medical records and the complications attached to the technology. Dr. Makary stated that doctors have been left out of decisions for developing technology that doctors utilize, including electronic medical records— nobody asked that population for input.

Chair Beruff asked Dr. Makary if he could offer the Commission three suggestions to increase patient care and reduce financial waste. Dr. Makary offered two:

- Form a group of doctors to address the waste metrics to Florida data and confidentially identify the outliers, to improve waste;

- Have a conversation with hospital leaders regarding their amenability to a global fixed price model.

**Presentation from Morton Plant Hospital:** Mr. Kristopher Hoce, COO and President of Morton Plant Hospital an affiliate of Bay Care Health System. Mr. Hoce gave some background on the facility, and that it is the largest hospital in Pinellas County with programs that reflect the needs of the community. He gave an overview of the governance of the 687-bed hospital.

Mr. Hoce presented several reasons why Morton Plant is effective:

- A commitment to quality, patient care and safety results;
- Structure of the Board;
- Structured on the needs of the customer;
- Driving a quality hospital culture;
- Teamwork and empowering physicians;
- Technological advances and investment;
- Transparency in reporting and through outreach; and
- Efficient operating model.

Mr. Hoce stated that executive compensation meets relevant IRS standards and is managed by a separate board committee with an independent third-party market analysis. He noted that compensation is incentivized, 65 percent, based on quality and patient experience.

Mr. Hoce indicated that BayCare benefits as a health system with multiple access points--these point share functions to reduce costs. As an example of efficiency, he noted a joint care analysis and redesign for the patient and caregiver—with these improvements the facility has reduced length of stay for these patients. He reinforced Dr. Makary's message of team-based approach and making sure to work with patients in a global process to deliver the right care.

Mr. Hoce also noted that technological improvements have positively impacted clinical efficiency and allowed for less invasive surgeries and increased survival rate. He also cited an example of cardiovascular technology, where reimbursement does not reward clinical improvement (the hospital loses \$30,000 per surgery) but is the right thing to do for the patient.

Mr. Hoce spoke about the facility's support for low income patients and qualified \$26 million in direct costs on charity care. He noted that Morton Plant's charity policy covers 250 percent of the poverty level. Mr. Hoce stated that LIP funding allows the facility to be reimbursed for 90 percent of costs for Medicaid patients and without LIP funding the facility recovers 55 percent of costs. Also, LIP funding allows Morton to invest in the Turley residency program to treat unfunded and Medicaid patients and support the Pinellas County health plan patients, as well as other community based programs.

Vice Chair Kuntz inquired as to the occupancy rates at Morton Plant and whether Mr. Hoce is increasing their beds at present. Mr. Hoce noted that it currently staffs around 575 beds and are 85 to 90 percent occupied. No new beds have been added.

Vice Chair Kuntz repeated the question that he asked Dr. Burkhart, regarding CON, to Mr. Hoce. Mr. Hoce indicated that he had a similar answer to Dr. Burkhart's. He noted that he came from a market, Ohio, where CON had been eliminated and does not believe that eliminating CON reduces health care costs. Mr. Hoce indicated that hospitals are capital intensive and that the taxpayer money can be spent in better ways than by duplication and proliferation of hospitals and hospital services.

Vice Chair Kuntz asked what two or three inefficiencies could be affected to decrease costs at Morton Plant? Mr. Hoce indicated managing the clinical process to create better coordination and aligning incentives.

Vice Chair Kuntz noted that the State University System has ten metrics to base state funding and implement change--could this system work with hospitals? Mr. Hoce indicated that this would be challenging as hospitals are not necessarily comparable—some hospitals have a higher acuity of patient types. Mr. Hoce noted that Medicare has something like this but he would recommend that the Commission look at Dr. Makary's model instead. Vice Chair Kuntz indicated that competition can produce incredible results. Mr. Hoce indicated that caution was needed as there might be unintended consequences depending on the type of competition—internal or external?

Ms. Cancio Johnson asked about fixed and disclosing prices; and Morton Plant's board size. She noted that Jackson reduced the Board size to increase efficiency. Mr. Hoce indicated that FloridaHealthFinder.gov is a great resource but posting the charge master on the website may not be useful as it is not user-friendly. He noted that the board is reviewing its current governance structure.

Mr. Eugene Lamb questioned on the distribution of taxpayer funding based on the levels of indigent care provided by hospitals. Mr. Hoce stated that each community has different needs for their indigent care and that it is community specific. A one-size fits all mentality may not fit community needs.

Chair Beruff wanted to compare costs per adjusted patient, costs constraints, for-profit hospitals vs. not-for-profit hospitals. He wanted to know why for-profit hospitals were better at containing costs from 2004 to 2013 than not-for-profits. He asked that the Agency make Ryan Fitch available at the next meeting to discuss. Secretary Dudek stated that an email from Mr. Fitch indicated that for-profits remained pared down after the recession with regards to FTEs, whereas the not-for-profits filled in those holes after the economy bounced back.

Chair Beruff, reviewing documents on readmission rates for Morton Plant and Tampa general, asked Mr. Hoce to explain a difference in the rates. Mr. Hoce replied that Morton Plant has built an infrastructure around managing these diagnoses which reduces readmission. Mr. Hoce also stated that hospitals are penalized by Medicare for readmissions but that these incentives and/or penalties are misaligned.

Chair Beruff asked for clarification on case mix and complications between the two hospitals. Mr. Hoce indicated that you need to look at these metrics longitudinally and not as a snapshot, since we are not aware of circumstances or specific initiatives.

Chair Beruff asked how the Commission could affect the culture of hospitals? Mr. Hoce replied with aligning incentives. Chair Beruff queried what the financial savings would be if hospitals were to adopt Dr. Markary's suggestions. Mr. Hoce stated that he could not necessarily quantify but would hypothesize somewhere between five and ten percent.

Ms. Cancio Johnson wants to know why Morton Plant has a lower cost per patient versus Tampa General. Mr. Hoce indicated that this may not have been adjusted for case mix and noted that transplant services are significantly more expensive per patient. Mr. Ryan Fitch emailed confirmation that Tampa General has a higher cost per patient due to a higher length of stay.

Chair Beruff would like more information on CEO compensation packages and asserted that the relationship of hospital performance and executive compensation is important to taxpayers.

**Review and Approval of June 4th Meeting Minutes:** Chair Beruff noted that the Commission did not have quorum present still and could not approve the minutes until the next meeting. Ms. Cancio Johnson wanted a correction of the minutes, she wanted the word "meant" changed to the word "stated" with regards to the 30 percent going to Medicaid.

**Public Comments:** Chair Beruff opened the floor to public comment.

Dr. Richard Conard asked that the Commission look into utilizing larger hospitals and health systems to help rural hospitals.

Bob Rohrlack of the Tampa Chamber of Commerce stated that both Tampa General and Morton Plant are vital members of this community and it is important to develop ways for these hospitals to expand health care coverage. He also stated the health care industry should be viewed holistically and indicated support of Medicaid expansion to help small businesses. He noted that it is a burden on small business if employees are in the emergency room missing work.

**Meeting Summary:** Secretary Dudek summarized a list of subjects to follow up on for later meetings: efficiency, quality and CEO compensation. Chair Beruff asked if Mr. Ryan Fitch would attend the next meeting and Secretary Dudek confirmed that he would.

Ms. Cancio Johnson indicated information included in the Commission packet that she would like discussed in the next meeting, noting an article on hospital charges and information on non-profit facilities' real estate holdings and property taxes on these holdings.

**Meeting Adjourn:** Chair Beruff adjourned the meeting at 12:04 p.m.