

DRAFT MEETING MINUTES

COMMISSION ON HEALTHCARE AND HOSPITAL FUNDING

Meeting Date: May 26, 2015

Time: 9:00 a.m. – 1:00 p.m.

Location: The Florida Department of Health in Orange County

Members Present: Carlos Beruff, Chair (by phone); Tom Kuntz, Vice Chair; General Chip Diehl; Marili Cancio Johnson; Eugene Lamb; Dr. Jason Rosenberg; Sam SeEVERS; Dr. Ken Smith; Robert SpottswOOD;

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

DOH and AHCA Administrators and Staff Present: Shelisha Coleman, Beth Eastman, Marisol Fitch, Ryan Fitch and Nikole Helvey, Nathan Dunn.

Interested Parties Present: Gunwant Bhatia, Beth Brunner, James Coffin, David Cristian, Rev. Bryan Fulwider, Mike Griffin, Rachel Elliott, Barbara Hampton, Ann Storck Center, Inc.; Brian Jogerst, Ashley Kalifeh, Tom Kunz, Sara Grimes, Bill Kilmer, Laura Lenhart, Charlotte Mather-Taylor, Verbelee Nielsen-Swanson, Deborah Platz, Eric Prutsman, Jennifer Roberts, Michelle Strenth, Rev. Kathy Schmitz, Marni Stahlman, Clint Shoupe, Kim Streit, Julia Swanson, Phillip Ward, Paul Wharton and Josh Wilson.

Media - Abe Aboraya, WMFE and The Florida Channel.

Welcome and Introductions: Carlos Beruff, Chair, called into the meeting from outside the country and asked that Tom Kuntz, Vice Chair, facilitate the meeting. Vice Chair Kuntz called the meeting to order and noted that all members were present—either by phone or by physical presence.

Co-Executive Director Dr. John Armstrong welcomed everyone to the Department of Health which is a united Agency amongst all 67 Florida counties designed to protect, promote and improve the health of all Floridians. He thanked Mr. Kevin Sherin and his staff for setting up the meeting.

Review and Approval of May 20th Meeting Minutes: Vice Chair Kuntz called for a review and approval of the minutes from the May 20, 2015 commission meeting. Secretary Dudek noted that the misspelling of Dr. Rosenberg's name would be corrected. The minutes were approved.

General Discussion: Vice Chair Kuntz noted that he would like a list of all hospitals that did and did not supply information in the surveys that were sent out on behalf of the Commission, with a third column to show those facilities that replied but without substantive data. Secretary Dudek stated that a press release would be going out later to thank the handful of hospitals that complied with the information request. She also indicated that a second letter had been sent by the Agency, on behalf of the Commission, to request information that was not submitted from the first request as well as to ask

hospitals for the quality measures they utilize and how those measures are communicated with the public as well as a request for executive staff compensation.

Vice Chair Kuntz also indicated the process for public comment and that each speaker would have a three minute time limit. He also noted that he would like a very open discussion amongst the Commission members and for them not to stand on ceremony—to just jump on in with questions as needed.

Secretary Dudek thanked everyone for attending and discussed the progress of the Commission roadmap. She stated that the Commission's task is to analyze the issue of tax payer funding to health care providers (in particular hospitals) and to determine how much supplemental funding is needed and for whom. Secretary Dudek indicated that the Commission might want to develop some questions in order to determine criteria for supplemental funding.

Mr. Spottswood asked Secretary Dudek for clarification on the Low Income Pool (LIP) letter received by the Agency and questioned whether receipt of the letter changes the direction of the Commission.

Secretary Dudek indicated that the federal component of LIP will be slightly less than last year for the 2015/2016 fiscal year and that in the subsequent fiscal year, it will only cover those individuals that would not have been covered if Medicaid expansion had occurred. She noted that the Agency is submitting a methodology for LIP payments to the federal government, today—May 26, 2015.

General Chip Diehl would like to have a copy of the letter and would also like clarification as to whether there were any qualifications or discussion with regard to Medicaid expansion in the letter from the federal government. Mr. Eugene Lamb would like to know how the specified LIP money will be distributed. Vice Chair Kuntz indicated that he would like continued updates on the situation and that the letter from the federal government is encouraging—but it does not take away from the charge of the Commission.

Ms. Marili Cancio Johnson wanted to know if there are contingency plans in place with regards to the current Supreme Court challenge. Secretary Dudek noted that the Agency is monitoring the situation but have come to no conclusions.

Presentation by Ms. Nikole Helvey: Nikole Helvey, Bureau Chief of the Florida Center for Health Information and Policy Analysis, presented additional information regarding payer and case mix information for Florida acute care hospitals. The presentation included information on hospital charges versus national average charges, hospital payer mixes and information on hospital case mix indexes. She stated that due to the data available, charges may not be the appropriate variable to examine for the Commission and that utilizing case mix data with the analysis might be a more accurate barometer with which to measure.

During the presentation there were a number of discussions regarding the data presented. Mr. Spottswood wanted to know what charges are based on, the methodology utilized. He stated that analysis of efficiencies and profitability will be difficult without knowing what the real cost for a

procedure. Mr. Spottswood queried whether the Commission could drill down to cost through case mix. Mr. Spottswood also indicated that it seems that the system is hugely inefficient and that we need to have a discussion on payer sources and include commercial in the discussion. General Chip Diehl contends that if charges don't matter, then we should be analyzing payer mixes.

Dr. Rosenberg stated that he would like to know if there are tax benefits from uncompensated care charges—either in terms of profitability or from the local taxing authorities? He noted that the data suggests that efficiency and payer mix are the reasons for profitability within facilities. With regards to hospital payer mix, Dr. Rosenberg indicated that it might be helpful to look into what the state is doing correctly for the Medicare population as opposed to the Medicaid population. Secretary Dudek noted that the data presented by Ms. Helvey was for calendar year 2013 and that the new data coming in would show what shifts are presents with the roll-out of Statewide Medicaid Managed Care. She anticipates that Medicaid utilization trends of emergency department visits might shift due to the program. Secretary Dudek noted that the Agency does not have any control over the Medicare program that the program is under CMS purview.

In addition, Dr. Rosenberg indicated that since case mix seems to be lower in more rural hospitals, are those facilities capturing comorbidities? The Commission might look into efficiencies at hospitals that capture that information accurately—as reimbursement is tied to that factor—and systems that are in place to accurately document comorbidities. Dr. Rosenberg reiterated that the free market does not exist in healthcare due to the fact that over 70 percent of compensation is received from government sources. He queried the other Commission members as to how should efficiency be calculated?

Ms. Marili Cancio Johnson asserted that the Commission should be concentrating on just Medicaid reimbursement and payments. She noted that the Commission should be looking for ways to reduce the case mix so as to lower the Medicaid reimbursement. Ms. Cancio Johnson also asked whether there are any provisions within Medicaid managed care for recipients to utilize services at only particular facilities? Secretary Dudek indicated that the Agency did not direct how plans negotiated or which hospitals they negotiated with but that all plans had to have a complete network and hospitals had to contract with the specialty plans. Secretary Dudek stated that plans would benefit from the hospital information the Commission collected.

Dr. Ken Smith asked for clarification on how case mix affects a campus that contains multiple hospitals, specifically the Lee Memorial Health System. He wanted to know if, for the purposes of funding, are we looking at systems or by facility. The Agency noted that funding is facility based.

Ms. Sam Seevers would like to know how the variables factor into the calculation of case mix and profitability. She noted that tax payer funded facilities should look at where to cut costs, in particular payroll including not offering merit increases and layoff non-critical staff.

Vice Chair Kuntz concluded the discussion by asking what is the key takeaway from this discussion with the response being that case mix is important. He also reiterated his request for a spreadsheet of the hospitals that had complied with providing information to the Commission by the end of the day.

Dr. Armstrong noted that this Commission meeting was already off to a great start with rich discussion. He stated that the case mix index does somewhat enable a cost comparison, but it is imperfect and that quality outcomes (relative to cost) should be kept in mind as well.

The Commission was connected to Chair Carlos Beruff who stated that he found it disconcerting that hospitals and the hospital industry were not allowing the Commission to facilitate a dialogue with them as so many facilities did not submit the requested information. Chair Beruff would like a list on all facilities that had not complied with the Commission's requests for data. He also stated that he would like all of the Commission members to be supplied with a copy of "Unaccountable".¹

Presentation by Mr. Ryan Fitch: Mr. Ryan Fitch presented some interactive financial data through our Tableau data tool. He noted that the key represented profitable hospitals (green), neutral in regards to profitability hospitals (grey) and not profitable hospitals (red). This information can be sliced and diced by type (government, for-profit and not-for-profit) and region. He indicated that the information would be available for the Commission and the public on the web soon.

From the presentation, Ms. Cancio Johnson noted that outpatient revenues are twice as much as inpatient revenue. She also indicated that the most profitable facilities tend to provide significantly less charity care and bad debt than facilities who have negative profit margins.

Dr. Smith is concerned about getting the noise out of the data, and that there is nothing new or remarkable in the data presented. He would like to know how to mine the data so that outcomes could be somehow tied to the data presented. Dr. Smith indicates that performance funding is something the Commission might look into as the balance of government funders cannot be removed without completely disrupting the system. Mr. Lamb would like more information on how hospitals measure quality.

Ms. Seevers requested more information on bad debt—how are institutions writing off the bad debt, is it off the charge or the expected revenue? Mr. Fitch noted that the difference between charges and reimbursement negotiated/set with Medicare, Medicaid and managed care plans is not considered bad debt but rather contractual adjustments. He indicated that bad debt is usually shown as a percentage of charges. Ms. Seevers would also like to see all the Florida Hospital Uniform Reporting System (FHURs) data for each facility. In addition she would like to know how the Agency determines who gets LIP funding and how can the Commission decide who has the greatest need for LIP money.

In addition, she asserted that the Commission needed to keep in mind its goal for taxpayer fiscal responsibility. Ms. Cancio Johnson noted that \$30 billion of the state budget comes off the top and straight to Medicaid. She noted that there should be some sort of personal responsibility for the recipient and would like to be provided with an average per month, per recipient cost.

Dr. Rosenberg contends that it is dangerous to disincentivize care, using diabetes as an example. He wanted to know if facilities are effectively managing symptoms and admissions in the most efficient manner? Emergency rooms and freestanding emergency departments are becoming more prevalent

¹ *Unaccountable: What Hospitals Won't Tell You and How Transparency Can Revolutionize Health Care* by Marty Makary, published 2013.

because these facilities generate money through admissions—but a urinary tract infection should not be managed through an emergency room nor is it the most efficient utilization of resources.

Mr. Fitch responded that the current DRG reimbursement structure was set up to increase efficiencies to the national average. Dr. Rosenberg indicated he would like to be provided with some kind of executive summary of the data presented by Mr. Fitch. Dr. Rosenberg also asked the Commission what the margins displayed in Mr. Fitch's data mean? He inquired whether performance funding would be possible in the healthcare field? Should the Commission be developing something like that?

Dr. Rosenberg wanted to know if the graphs provided any insight on efficiencies? He noted that it seemed that facilities with the least acuity had some of the highest expenses as well as being the least profitable. Dr. Rosenberg also indicated that the lower the occupancy percentage of the facility the less profitable a facility was—as admissions drive profitability.

Vice Chair Kuntz inquired whether facilities have addressed this fact by reducing the number of beds in order to increase occupancy percentage—as the data shows that on average Florida hospital facilities show 60 percent occupancy? He would like to see some bed data for facilities. Secretary Dudek mentions that facilities often close wings or floors depending on occupancy but that the Agency only has an inventory of licensed beds, not of active/inactive beds. Mr. Fitch notes that seasonality could be a contributing factor.

In terms of performance standard, Vice Chair Kuntz notes that the Commission needs to zero in on what is important and collectively define what the health of a hospital should be. He states that if metrics are established, hospitals should be competing against themselves for excellence. Vice Chair Kuntz asserts that it shouldn't just be about being efficient but also about being effective.

Update on LIP Funding in Florida: Secretary Dudek went into greater detail on the LIP program and the federal government's new dialogue with the Agency. She stated that the federal government has noted that the money should follow the patient and as in the past some of the monies will go to rates. Secretary Dudek states that the need for supplemental funding will still need to be distilled and to whom and how the funds would be distributed.

Dr. Smith noted that it seems from the presented data, that Jackson Memorial is an outlier. He would like to see the bottom and top quartile and delve into why those hospitals are in those quartiles if possible. Ms. Cancio Johnson asserts again that there should be some personal responsibility with the recipient.

Ms. Seevers indicated that the system for distributing LIP funds should be fair, equitable and match the needs and that she cannot judge any individual hospital by any of the information/data that has been presented thus far.

Dr. Rosenberg notes that facilities that have a higher proportion of patients who are charity care or Medicaid recipients divert those patients from other facilities who in turn have a much smaller proportion of those payer mixes—and we need to keep in mind how those factors affect all facilities' profitability. He indicates that often there is a question of access to healthcare for populations and ways to disincentivize the hospital reimbursement at the ER without affecting patient care and treatment. Secretary Dudek invites hospitals to give presentations how they can address this issue at a later Commission meeting.

Public Comment: Vice Chair Kuntz opened the floor to public comment and invited those that had filled out a speaker card to address the Commission for up to three minutes.

Mr. James Coffin, Executive Director for the Interfaith Council of Central Florida, stated that health care for the less fortunate is not a handout for the recipient but to all of society. He noted that while the Commission is a means to an end, that the end should not be ignored.

Reverend Kathy Schmitz from the First Unitarian Church of Orlando, spoke of everyone's interconnection and the prospective loss of human potential when we allow others to suffer. She asserted that the Commission must find a solution that allows everyone to flourish and thereby allows all of society to flourish.

Mr. Jasbir Singh Bhatia from the Sikh Society of Central Florida, reminded the Commission that it is not consistent with the history of the United States to not care, or not care for those less fortunate. He urged the Commission not to let down the people of the United States.

Reverend George Nursey from the Roman Catholic Diocese of Orlando, declared that his faith teaches that is the right of each person to have adequate healthcare and that the Catholic Church has had a long history of working towards that goal. He offered the support of the Diocese of Orlando to help to expand the safety net.

Marni Stahlman, President and CEO of Shepherd's Hope a clinic that provides medical visits and patient services to the working poor stated that her organization saw a 22 percent increase in patients this past year. She notes that these are hardworking people that just cannot afford healthcare. She states that her organization and other like it should not have to be the mitigator for the current health care crisis and that the hardworking poor deserve access to quality health care.

Reverend Bryan Fulwider, Chair of the Interfaith Council of Central Florida, stated he was not at the Commission for himself but as a representative for the working poor. He reminded the Commission that the lack of expansion of healthcare hurts every single person. Reverend Fulwider asserted that those he represents are without hope and reaching out to the Commission for a solution. He indicated that the Commission should be committed to the reality of compassion.

Ms. Stephanie Nelson Garris representing the Grace Medical Home which is a comprehensive medical home for those who fall through the cracks, would like to see health care coverage expanded. Ms. SeEVERS asked how the program was funded and Ms. Garris responded, "privately funded".

Mr. Edward Fluker from the Florida Hospital Community Lung Clinic reminded the Commission to keep the productive members of society, patients from his clinic, as a part of its analysis and to serve the working poor who are falling in the gap currently.

Commission Member Discussion: Vice Chair Kuntz turned it over to the Executive Directors. Dr. Armstrong thanked the Commission for their service and reminded everyone that it is an inclusive discussion as hospitals and the care they provide fit our state's values. He indicated that as the meetings progress that the Commission should begin to gather a list of findings which will inform a broader understanding to the issues discussed. He noted that in future meetings, the Commission will

look at quality as determined by patients and the community. Secretary Dudek stated that staff will work diligently to provide the Commission with the information requested.

Vice Chair Kuntz noted that he would like to take a deeper dive into the Certificate of Need (CON) discussion. Ms. Seevers questioned where issues like CON fell on the Commission list of priorities—is it an early or later chapter?

Ms. Cancio Johnson stated that she would like further clarification on bad debt versus uncollected debts. She would also like further information on 340 B pricing as well as to know who prepared the financial information provided to the Commission in their packet. Secretary Dudek stated that the Agency's Financial Analysis Unit prepared the document and it is available to the public.²

Dr. Smith queried whether CON would be a part of the upcoming special session. He noted that he is not interested in other states like California or Texas with regard to the dissolution of their CON program, but would like to know how deregulation of the program has affected the state of Florida.

Dr. Rosenberg thanked the members of the faith-based community and clinics for sharing with the Commission. He stated that the Commission is on the same side and that it is not a question of either/or. Dr. Rosenberg indicated that the Commission was set up to make sure that the state takes care of people. He noted that he does not believe the solution to the problem is through more money.

Mr. Lamb commended the public speakers as well. He also inquired that if the CON program no longer existed, what would prevent a hospital in a poor area from moving to a wealthier area? Secretary Dudek answered that nothing would prevent it.

General Diehl thanked the community for the uplifting public comments and also staff for the quick turnaround from the previous meeting. He stated that he would like to look at the impact of LIP and the impact of LIP going away in two years.

Secretary Dudek indicated that the next meeting would be held in Tallahassee on Thursday, June 4th. Ms. Cancio Johnson requested that a future meeting be held in south Florida.

Meeting Adjourn: The meeting adjourned at 12:53 p.m.

² Data is available at FloridaHealthFinder.gov at <http://www.floridahealthfinder.gov/researchers/studies-reports.aspx#fhfd> under the heading "Florida Hospital Financial Data".