

## - DRAFT MEETING MINUTES -

### Florida Commission on Review of Taxpayer Funded Hospital Districts

**Meeting Date:** September 20, 2011

**Time:** 10:00a.m. – 4:00 p.m.

**Location:** Agency for Health Care Administration, Conference Room A

**Members Present:** Dominic Calabro, Chair, Brad Dinkins, Paul Duncan (via phone), Jacob C. Jackson (via phone), Marshall Kelley, J. Scott McCleneghen (via phone), Randall McElheney (via phone), and Jeff Gregg, Executive Director

**Member(s) Absent:** Senator Joe Negron and Representative Matt Hudson

**AHCA Administrators and Staff Present:** Kaylyn Boles, Ryan Fitch, Adrienne Henderson, Marisol Novak, Bill McCort, and Faye Miller

**Interested Parties Present:** Bill Bell, Florida Hospital Association; Linda Quick, South Florida Hospital and Healthcare Association; Bret B., Lee Memorial Hospital; Sally Jackson, Lee Memorial Hospital; David Verinder, Lee Memorial Hospital; Jim Nathan, Lee Memorial Hospital; Nathan Ray, Jackson Health System; Dee Schaffer, Halifax; Glenn Brhaus, Greenberg Traurig; David Ashburn, Greenberg Traurig; Blaine Cherry, Florida Tax Watch; S. Sowards, Florida Tax Watch; Kathy Mears; and John Ratliff, and SEIU Local 1991

**Welcome and Introductions:** Dominic Calabro, Chair, called the meeting to order and welcomed the Florida Commissioner's Review of Taxpayer Funded Hospital Districts (Commission members) and interested parties. He informed the members that Senator Negron and Representative Hudson were not able to attend due to committee meetings.

**Review and Approval of September 6th Meeting Minutes:** Chairman Calabro called for a review and approval of the minutes from the September 6, 2011 commission meeting. The minutes were approved.

**Presentation on the Lee Memorial Health System:** Director Jeff Gregg introduced Jim Nathan, CEO of Lee Memorial Health System. Mr. Nathan gave an overview of Lee Memorial Health System. Mr. Nathan stated that Lee Memorial Health System (Lee Memorial) is the largest public hospital system in Florida with no taxing authority. Lee Memorial operates without local tax support.

Lee Memorial has a 10 member hospital board elected through a countywide non-partisan election. The board is governed by sunshine and public record laws. All board meetings are publicly noticed and open to the public.

Lee Memorial operates state-designated unique specialty programs that include trauma (Level II). The trauma center has a high volume of utilization and operates with 6 million dollars in losses every year. They also have a children's hospital and the most prevalent payer for their children's hospital is Medicaid and no pay.

Mr. Nathan stated that in 2009 Florida was the third highest of states in the percent of uninsured. Southwest Florida is the 2<sup>nd</sup> highest uninsured region in Florida. He stated that he believes that the reason for the high number of uninsured is due to not having major employers and the lack of a diverse economy.

Lee Memorial has kept the charges and costs low by doing things such as repackaging pharmaceutical bulk purchases and providing instrument repair. Operational efficiencies include providing midpoint salaries; having performance based incentives; not having a traditional defined benefit retirement plan but instead offering deferred compensation plans (403b and 457b); flexible staffing through use of PRNs; and having financial early warning indicators.

Lee Memorial has an active foundation that has generated over 60 million dollars since 2001. The net value of Lee Memorial's community benefit for 2010 was \$165 million. Their volunteer workforce is over 4,300 volunteers. One in seven Lee County employees are employed in the health care field and one third of health care employees are employed by Lee Memorial Health System.

Ongoing challenges include the cost of uncompensated care for the last 5 years has increased nearly \$20 million to reach over \$87 million for 2011; and governmental payers have increased by 13% and there is a decline in private/commercial payers by 23% since 2007. He stated that there is a speeding up of the demise of commercial insurance by the cost shift from Medicare, Medicaid, and uninsured/ underinsured. Additional challenges for Lee Memorial include little capacity for growth and limited space for children and adults; and future demands for services and unprecedented capital needs by aging who are Medicare dependent and/or chronically ill.

Lee Memorial in 2010 had a one billion dollar budget however they ended with around \$25 - \$30 million. Mr. Nathan stated that the Disproportionate Share Hospital and Low Income Pool program have helped the bottom line and without it they would be in trouble. In addition, he stated that there needs to be a change in expectations. Expectations need to be reconsidered and that leadership is needed to address these issues.

The Commissioners were impressed with Lee Memorial regarding how they are able to improve quality of care and control cost without tax dollars. Commissioner Dinkins recommended honoring Mr. Nathan with an achievement award.

### **Comments from the Perspective of the South Florida Hospital and Healthcare**

**Association:** Commissioner Calabro introduced Linda Quick, President of South Florida Hospital and Healthcare Association. Ms. Quick thanked the Commissioners for inviting her to speak. She stated that her organization includes all categories of ownership such as for profit, not-for profit, and safety net hospitals. She stated that regardless of ownership every hospital must have excess revenue in order to survive.

Ms. Quick stated that South Florida has investor owned hospital chains (publicly owned); privately owned hospitals; tax exempt institutions (ex. Miami Children's Hospital); individual community created systems (ex. Baptist Hospitals); and nationally aligned hospitals (ex. Holy Cross and Cleveland Clinic).

Ms. Quick stated that there is diversity in South Florida hospitals. She stated that there is diversity in the taxing supported hospitals (independent hospital tax districts, independent healthcare tax district, dependent healthcare taxing district; county owned hospital/healthcare system; and the federal tax supported system (ex. VA).

There is diversity in governance and representation of the community regarding the process for serving on the hospital boards. Ms. Quick recommends that regardless of the type of hospital that there should be general guidelines of what level of expertise individuals must have to serve on the boards. She recommends that individuals serving on the board should have intelligence, integrity, community concern, and be a successful person.

Ms. Quick also discussed the difference in the levels of transparency. She talked about how the board meetings should have time set aside on the agenda for public comment. Also, she states that the sunshine law does not necessarily assure continuity as small boards versus large boards operate differently. Other differences include the millage rates vary and the tax sources vary. The breadth of services offered varies by the community's uniqueness. When you are a government supported entity, the rules are different in the flexibility and responsiveness when operating (ex. RFP requirements). Competition versus partnership vary among hospitals, when it is a really important initiative they work well together, however if it is a new report card the competition comes into play.

Ms. Quick stated that there are similarities of the South Florida hospitals which include that all hospitals have EMTALA obligations, uninsured policies and procedures; and regardless of tax status they have costs. Also, location plays a role as it determines who they see.

She stated that there is some variation in the charity care as some hospitals define it using 150% guideline, and other may use 200% or 300%. However, the hospitals must report charity care to the state using the 200% guideline. In addition, Ms. Quick stated that hospitals may use the tax money for various needs such as for latest technology/supplies and others may use it to help provide care to indigent patients.

In regard to the health care reform, Ms. Quick cautioned the Commissioners that the inpatient occupancy levels will continue to decline due to people doing better in staying well; change in procedures performed requiring overnight stays; and the reductions in readmissions due to payers refusing to pay for them. She also stated that Affordable Health Care Act will be good as there is an increase in Medicaid patients and that under the Act more individuals including Medicaid recipients will be insured under the Act. She stated that having insurance will open doors to choices for individuals, as having no insurance may lead to not being able to get an appointment or to only having one place to go.

Ms. Quick updated the Commissioners on an issue taking place in Washington regarding providers paying taxes to support Medicaid being eliminated as a cost saving mechanism to the federal government. She also requested that the Commissioners remember that there are 70,000 employees in the four South Florida counties and that changes to the plans of tax supported hospitals is important as it may impact the economy.

Commissioner Kelley asked Mrs. Quick to share any thoughts that she may have on hospitals regarding the sunshine law, best interest of tax payers, best practices, payment reform, and hospital efficiency and quality in relation to size.

Commissioner Calabro thanked Ms. Quick for her presentation. He noted that there needs to be some consideration of the move from inpatient to outpatient services; thought regarding the population growth being not as it use to be; and addressing not only the challenges of today but what is coming in the future.

**Commission Report Planning:** Commissioner Calabro requested that the Commissioners consider transparency, uniformity of governance of tax districts; whether it is beneficial for district's to own and operate hospitals; qualification of board members and conflicts of interest; and how to structure public funding such as Disproportionate Share Hospital, Low Income Pool, and Medicaid to have good outcomes and control cost.

**Commission Member Discussion on Data Provided at the September 6<sup>th</sup> Meeting:** Director Jeff Gregg presented a summary of the information that was collected from the hospital districts and the Department of Community Affairs. The data will be available on the internet to assist individuals that would like to have an in-depth look. The Commissioners reviewed the information and requested that AHCA staff trim the data presented by grouping the information by hospital casemix, similar services, and excluding those with a small number of beds (ex. 100 beds or less).

**Public Comment:** The Commissioners did not receive any public comments. Commissioner Calabro extends an invitation to hear from the public, as well as; from tax supported, paying, and exempt hospitals.

**Agenda Item for Next Meeting:** Presentation by Volusia Hospital District regarding issues associated with changing ownership.

**Meeting Adjourn:** The meeting adjourned at 1:00 p.m.