

Lee Memorial Health System profit tops \$29 million

Lee Memorial Health System ended its latest budget year more than \$29 million in the black, a 2.5 percent profit margin for one of this region's largest employers and its dominant hospital organization.

Health system administrators credit higher-than-expected patient volumes and the fact that managers kept staffing levels on budget.

"It's about \$5 million more than we had budgeted, so, a really good year," said Mike German, the health system's chief financial officer.

The health system's fiscal year ended Sept. 30. Budget officials presented the numbers Thursday's to the health system's elected board of directors.

But good financial news is tempered by this year's across-the-board salary freeze for its employees and expectations that Medicare and Medicaid reimbursements will be reduced over the next 12 months.

State-imposed changes to the Medicaid program already cut \$4 million in funding to the hospital system this summer and could cost it up to \$18 million over the next year.

Officials predict that the bulk of any Medicare/Medicaid changes won't fully affect the system's coffers until the 2013 budget year. So, for now, the organization expects to end this current budget year with a 2.2 percent profit margin, or about \$26.7 million.

"I can't promise that we'll have greatest numbers going forward," health system President Jim Nathan told board members.

Other budget highlights:

- The health system's investment portfolio ended the budget year worth \$458 million after seeing a 1.4 percent return on the investment. That's far less than the 6.5 percent return that budget planners had hoped for.
- Staff salaries and benefits accounted for 52 percent of net patient revenue last fiscal year, a 2 percent increase over the previous year. The uptick is largely the result of increased overtime use to handle the higher patient loads, German said.

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Though the health system received a credit rating upgrade from A3 to A2 in January, financial planners do not expect another upgrade in the near term.

Lee Memorial Health System is a not-for-profit governmental entity that employs roughly 10,000 full- and part-time employees. It operates four acute-care hospitals and controls 95 percent of the hospital beds in Lee County.

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Patients pan Southwest Florida hospitals

Southwest Florida's hospital patients aren't happy.

In fact, new Medicare survey data show they are among the most displeased with their care in the nation.

The Fort Myers market, an area considered to be Lee, Collier, Charlotte and Hendry counties, had the lowest scoring in Florida, followed by the Ocala area, according to a Kaiser Family Foundation review of 295 U.S. hospital regions.

Southwest Florida had an average patient satisfaction score of 62.7 percent, the sixth-worst of all U.S. markets and below the national average of 69.8 percent.

Kaiser determined overall scores by averaging the 10 performance measures Medicare reported in 2010 for each hospital in the market area. The zero-to-100 scale gauges patients' perceptions of their communication with medical staff and hospital cleanliness and whether they would recommend the facilities to others.

Lee Memorial Health System, which controls 95 percent of Lee County's hospital beds, scored an average 64 for all satisfaction measures for all its hospitals. When asked if they would recommend a Lee Memorial

Health System hospital, about 66 percent of patients said they would. The national average for that measure is 70 percent.

Lee Memorial Hospital and HealthPark Medical Center, which the government considers the same hospital for billing reasons, scored a 72.

"We have been tracking our patient satisfaction scores closely and recognize that they are not where we want them to be," Mary Briggs, health system spokeswoman, said in a prepared comment. "We have been researching best practices from a variety of world-class service organizations, and will be implementing many of these over the next several months."

Briggs added that the health system wants to improve its satisfaction scores 10 percentage points over the next year.

The worst performer was the Manhattan region, which had an average score of 58.8. The best was the 81 percent

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average earned by the small town of Mason City, Iowa.

Low-scoring hospitals don't just have a public relations problem. As part of the Affordable Care Act, also known as the health overhaul law, Medicare reimbursement rates to hospitals will be increasingly based on how well organizations perform and whether patients are satisfied with the care they receive.

The new rules require Medicare to withhold a percentage of payments from all hospitals and reimburse them based on how they rank against other hospitals. Theoretically, an organization such as Lee Memorial Health System could lose several million dollars a year if it doesn't measure up.

But patient perception of their care does not always correspond with the quality of the treatment they receive.

A recent Gannett analysis of U.S. hospital records from 2007 to 2010 found 120 hospitals that received good patient reviews had health outcomes much lower than the national averages. Gannett is the parent company of The News-Press and USA TODAY.

Those same records showed that Southwest Florida hospitals generally matched federal averages when it came to patient treatment for serious ailments such as heart attacks, heart failure and pneumonia.

The most satisfied patients in the Medicare report were those using Physicians Regional Medical Center, owned by Naples-based Health Management Associates. More than seven of every 10 patients said they would recommend Physicians Regional.

HMA, like other hospital systems, has policies in place aimed at keeping satisfaction scores high. Physicians Regional focuses on improving staff-to-staff and staff-to-patient communication, and zeroing in on what surveys tell them are work practices that need improvement, said Paul Marsolek, Physicians Regional's director of performance improvement.

"What it really comes down to is putting the patient at the center," Marsolek said.

Despite that corporate strategy, the 88-bed Lehigh Regional Medical Center, another HMA hospital, had the Fort Myers region's lowest average patient satisfaction score: 52.2 percent. Only 41 percent of patients said they would recommend Lehigh Regional, also the lowest recorded

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score in region.

State and federal authorities cited Lehigh Regional almost a year ago for a variety of patient safety violations. They included problems in giving patients proper medications, the cleanliness of the hospital and in record keeping. CEO Chris Rakunas and Chief Nursing Officer Jeannie Leake left the hospital following the regulators' December inspections.

The Florida Agency for Health Care Administration cleared the hospital in March after its administrators provided a plan to correct the shortcomings.

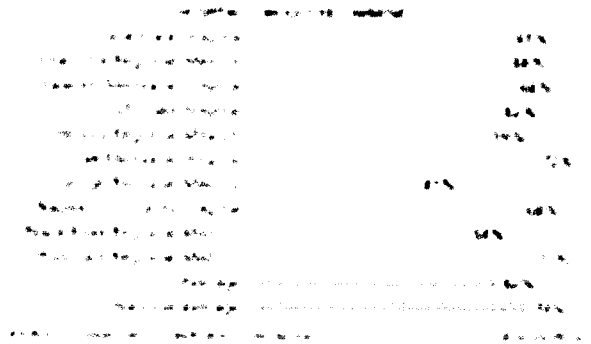
It's unclear what, if any, impact those conditions had in the Medicare scores. Joanie Jeannette, CEO of Lehigh Regional since April, said she could not explain the 2010 low satisfaction numbers because she was not part of the hospital's administration at the time.

But Jeannette said the hospital's internal, non-public numbers show satisfaction scores increasing possibly 10 percentage points in 2011, thanks to a new hospital effort to better communicate with patients.

"We've made great strides and continue to have a plan for improvement at Lehigh," s he said. "We have raised them (the scores) quite a bit in the last year. We plan on continuing that improvement."

Area hospitals don't satisfy

By the end of the Medicare inspection period, the hospital's scores were low, and the state health department said it was disappointed in the results.



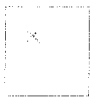
Scores

The scores are based on a survey of patients and family members. Individual hospitals used the data to improve the quality of care.

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Health and hospitals

LOCAL KNOWLEDGE:

Southwest Florida boasts strong health care systems but some say psychiatric treatment is the area most in need of expansion in Lee, as the county lacks an in-patient mental health facility.

As a result, plans are under way to construct the 76-bed, 61,000-square-foot Park Royal Psychiatric Hospital at Bass Road and Park Royal Drive in south Fort Myers, near the existing HealthPark Medical Center.

The \$22 million hospital is expected to be complete in 2012.

Collier County has two mental health facilities: a 23-bed in-patient unit at Naples Community Hospital and a 42-bed inpatient facility at The Willough at Naples.

A more than \$200 million expansion of the Children's Hospital of Southwest Florida is also in the works. The Lee Memorial Health System facility will include six towers and will be built near HealthPark Medical Center in south Fort Myers in the next few years.

What's the average emergency room wait time?

The quickest emergency room service

available in Lee County as of 2009 was at Lehigh Regional Medical Center, which has an average emergency room wait time of 49 minutes before a patient sees a doctor, said Jose Morillo, chief executive of the hospital.

On average, patients in Lee County ERs are spending about an hour in the waiting room before seeing a physician, according to hospital officials.

HealthPark Medical Center's average ER wait time from registration to seeing a doctor is 1 hour and 12 minutes for a non-emergent patient and 59 minutes for an emergent patient. Emergent patients have potentially life-changing conditions, said Karen Krieger, Lee Memorial Health System spokeswoman.

Cape Coral Hospital's average wait before seeing a doctor is 1 hour and 10 minutes for non-emergents and 48 minutes for emergents.

Non-emergents at Lee Memorial Hospital

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will wait about 1 hour and 7 minutes, and emergents take about 52 minutes. Gulf Coast Medical Center's ER wait time is the longest within LMHS at 1 hour and 21 minutes.

BY THE NUMBERS

\$200+ million: Cost of the expansion to Children's Hospital of Southwest Florida

\$22 million: Cost of construction for Park Royal Psychiatric Hospital

6,200: Square feet for Park Royal Psychiatric Hospital

76: Number of inpatient beds that will be available at Park Royal

QUICK FACT

Immunizations are available at the Lee and Collier County health departments as well as most major pharmacies during flu season, which runs from October through May.

For more information about flu shots, call 332-9501 in Lee County; 252-8203 in Naples; and 252-7300 in Immokalee.

EXTRA

Gulf Coast is Lee Memorial's first all-digital hospital. No more X-ray films. And that could speed the diagnostic process. Combined, the existing emergency departments at Gulf Coast and Southwest

had 26 beds until the new emergency room that was recently built at Gulf Coast with 43 beds.

HOSPITALS

•Lehigh Regional Medical Center, 1500 Lee Blvd., Lehigh Acres, 369-2101. Owned by Health Management Associates Inc.

Lee Memorial Health System now runs four of the county's five hospitals.

• Cape Coral, 636 Del Prado Blvd., Cape Coral, 574-2323.

• Gulf Coast, 13681 Doctor's Way, Fort Myers, 768-5000.

• HealthPark Medical Center, 9981 S. HealthPark Drive, Fort Myers, 433-7799.

• Lee Memorial, 2776 Cleveland Ave., Fort Myers, 332-1111.

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Physicians Regional makes list of top-performing U.S. hospitals

September 14, 2011 by Naples Daily News News Stories

Two Southwest Florida hospital systems, both owned by Naples-based Health Management Associates, are among 405 top-performing hospitals in the country, according to an analysis by a leading healthcare accreditation group. The Joint Commission, for the first time in its sixth annual report on quality and safety, released a list of top performing hospitals.

In Southwest Florida, Physicians Regional Healthcare System in Collier County and Lehigh Regional Medical Center in eastern Lee County were included. All told, 51 Florida hospitals were listed as top performers. The recognition is based on evidence-based clinical procedures that are known to improve outcomes for five medical conditions. The conditions are heart attack, heart failure, pneumonia, surgical care and children's asthma.

To be recognized, hospitals had to meet two 95 percent performance thresholds. Data from 2010 was used.

"We understand that what matters most to our patients at Physicians Regional Healthcare System is safe, effective care," said Todd Lupton, chief executive officer of the hospital system with campuses off Pine Ridge Road and Collier Boulevard.

NCH Healthcare System in Collier County and Lee Memorial Health System in Lee County were not included.

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Lee Memorial bonus program to be audited

Search a list of Lee Memorial Health System bonuses

1:10 A.M. — The Lee Memorial Health System management bonus program will face an independent audit this summer, a review that follows news that this year's payout will be about \$13 million.

Richard Akin, chairman of the system's 10-member elected board of directors, asked for the examination to determine if the program should be reformed, left alone or scrapped.

He said persistent local unemployment - Lee County's May unemployment rate was 12.5 percent - and hard economic times make it difficult to justify this year's payouts.

Employees, including doctors and nurses, have also complained about the amount of payouts this year, he said.

The bonus program has been in place for a decade.

"I don't think anyone has done anything inappropriate, but it's just been a long time since this thing was passed," Akin said. "Everyone knows what's happened with the economy - 2001 and 2010 are different."

System officials will interview audit firms next week and make a selection on or after Wednesday.

This year's bonuses are the first awarded since the 2007 economic collapse. Managers also have received no merit raises for the past three years.

The Leadership Pay Plan provides incentive payments to qualifying officers and supervisors who meet job performance goals, assuming the system is profitable enough.

This year, 639 employees qualified for bonuses ranging from \$1,046 for a gift shop supervisor to \$212,306 for Chief Operating Officer John Wiest, who earns \$465,000 annually.

The average payout this year will be about \$23,000. All are paid in quarterly installments over the year. System President Jim Nathan, who earns about \$628,000 a year, will receive a \$188,220 bonus this year.

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Nonmanagement employees qualify separately for performance incentives of \$500 to \$1,000.

The News-Press first reported on the bonuses in April after obtaining the information through Florida's open-records law.

The system, which controls 95 percent of the county's hospital beds, is considered a government entity.

'Healthy thing'

It is also a nonprofit organization that is tax exempt and is subject to only limited damages in malpractice claims. However, unlike many public hospital systems, it does not receive direct tax support.

Nathan said he welcomed the review.

"It's a healthy thing for the board to do in light of all the attention and discussion of this," he said. "I think what it does is fulfill the fiduciary role of the board."

Nathan said some employees reacted negatively to news of the bonuses, but he said those views were largely based on misinformation.

For instance, the system was obligated by federal tax rules to give out the bonuses because they were already part of an established compensation policy when payments were scheduled to go out, he said.

The board, however, can opt to change that policy for next year.

Akin, a first-term board member who is up for re-election this year, said he was unaware of the bonus program until a few months ago.

The board itself will not hire the audit firm. Rather, Akin and system officials will choose one on their own. Akin said this would allow the review to go forward as soon as possible.

The board does not meet in July, meaning it would not likely vote to hire a firm until August.

The board approved the bonuses in 2001 and subsequent changes to the program have been done administratively, not with board consultation.

Bonuses are a function of an individual's annual salary.

The system itself must reach a certain

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profitability for anyone to receive the incentive payments.

If profits are not enough, the system holds the bonuses, essentially as employee IOUs, for up to three years.

Bonuses needed

After that three-year period, the employees lose a year's worth of those IOUs for every year that profitability is still not high enough to disburse bonuses.

When profits are high enough, the accumulated amount of those IOUs are paid in quarterly installments, taxed at a flat 25 percent rate.

The system saw about \$49.8 million in gains from operations in 2009, about \$26.5 million more than it had expected.

According to incentive payment rules, half of that - about \$13 million - may be used to pay out accrued bonuses.

The system estimates that the payouts could have theoretically been 11 percent higher if profits last year had been enough to pay out the full balances of incentive payments owed to employees.

Board member Marilyn Stout defended bonuses, saying they are needed to recruit and retain top health care professionals, but she also said she supports an audit.

"The only thing I think I would do differently, with the benefit of hindsight, is that they probably should not accumulate

for the years they weren't given," Stout said, "although I can still justify what we're doing in terms of compensation."

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Download request for proposals for an audit of Lee Memorial Health System's bonus plan

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Financial

There is a belief that EMS is financially profitable. BSFCRD has stated that "The proposed revenue generated from transport collections will cover all the operational costs of providing the ambulance transport system."

Lee County EMS

Year	Billable calls	Amount Billed	Amount Collected	Percentage Collected
2009	52,861	\$29,931,119.00	\$17,574,086.28	71%
2010	53,487	\$34,917,980.00	\$18,393,453.46	53% - when matured expect 69%

Fort Myers Beach Fire Department

FY 2010 budgets used for comparison	BSFCRD cost to provide EMS service (68% of fire budget)	Lee County EMS cost to provide service to Bonita Springs	Comparative analysis
Cost per call (without bill collections): <i>Budget divided by total call volume</i>	\$5,091.77 <u>\$20,468,903.00</u> 4,020	\$407.98 <u>\$32,107,934.00</u> 78,700	LCEMS is less
Cost per call (with bill collections): <i>Budget minus collections divided by total call volume</i>	\$4,818.86 <u>\$20,468,903.00 - \$1,097,067.00</u> 4,020	\$177.22 <u>\$32,107,934.00 - \$18,160,733.00</u> 78,700	LCEMS is less
Cost per transport (without bill collections): <i>Budget divided by total number of transports</i>	\$6,834.36 <u>\$20,468,903.00</u> 2,995	\$547.61 <u>\$32,107,934.00</u> 58,633	LCEMS is less
Cost per transport (with bill collections): <i>Budget minus collections divided by total number of transports</i>	\$6,468.06 <u>\$20,468,903.00 - \$1,097,067.00</u> 2,995	\$237.87 <u>\$32,107,934.00 - \$18,160,733.00</u> 58,633	LCEMS is less
Total cost to provide EMS for Bonita (without bill collections)		BSFCRD \$20,468,903.00	
Total cost to provide EMS for Bonita (with bill collections) <i>Total EMS calls (4,020) x cost per call -</i>		BSFCRD \$19,371,836.00	

Cost per call for Lehigh Acres Fire Department