Department of Health Care Finance (DHCF)
Fiscal Year 2022-2023 Performance Oversight Hearing

Presentation Before the
Committee on Hospital And Health Equity
Council of the District of Columbia
The Honorable Vincent Gray

February 22, 2023
Washington, DC

Presentation Outline

- ☑ **Introduction**
  - *East End Health Disparities*
  - *Problems In The East End Health Care Delivery System*
- ☐ The East End New Hospital And Health Care System
  - *Are We on Schedule*
  - *Are We on Budget*
  - *Scope of Services for the New Health Care System*
- ☐ Importance of Medicaid In Addressing In Health Disparities
- ☐ The Closure of The Encampment At McPherson Square

Introduction

- Good afternoon Councilmember Gray and thank you for the opportunity to discuss the work of the Department of Health Care Finance (DHCF) and the Deputy Mayor's Office of Health and Human Services (DMHHS).

- I am joined by key staff from both DHCF and the office of the Deputy Mayor, and our principal focus today is on the new and emerging hospital and health care system in Wards 7 and 8 of the city.

- You started this quest to improve health care in the east end of the city, long before I became a resident of the District in 2011. Your motivation, at that time, was the sharp and deadly health disparities that plagued the residents of both Wards, along with the glaring absence of a comprehensive health care system to address the problem.

- The first part of my testimony today focuses on the backdrop in which the new east end health care system was planned. This is followed by a discussion of the work that is well underway on the new health care system for this portion of the city and the important role Medicaid will play in financing health care delivery. I conclude the presentation by briefly recapping the activities around the closure of the encampment at McPherson Square last week.

We Know From Previous Research That Sharp Differences in Health Outcomes Exist in DC Wards 7 And 8

- Based on work conducted by the DC Health Department we know the following –
  - African-Americans are disproportionately impacted by chronic diseases like high blood pressure, diabetes, and asthma.
  - Smoking - a leading cause of death - is also higher among African Americans in Wards 7 and 8 relative to the balance if the city
  - Rates of ***preventable and early detectable*** cancers (breast, cervical, lung, colon, and liver) are higher in African-Americans, Latinos, and residents of Wards 5, 7, and 8.
  - In addition, people of color in the District are more likely to report behavioral health problems and African Americans make up a disproportionate share of persons who overdose on dangerous substances - 85% of deaths due to opioid use were among African Americans.
- In DC, there is an established association between health outcomes and nine key drivers – ***Education, Employment, Income, Housing, Transportation, Food Environment, Medical Care, Outdoor Environment, and Community Safety.***
  - Residents of Wards 7 and 8 typically compare unfavorably on these measures to their peers Districtwide.

East Of The Anacostia River By The Numbers

Population
170k
(DC total population: 712,816)

Median Income
$38 - 48K
(DC average: $91K)

15 Year Difference Life Expectancy

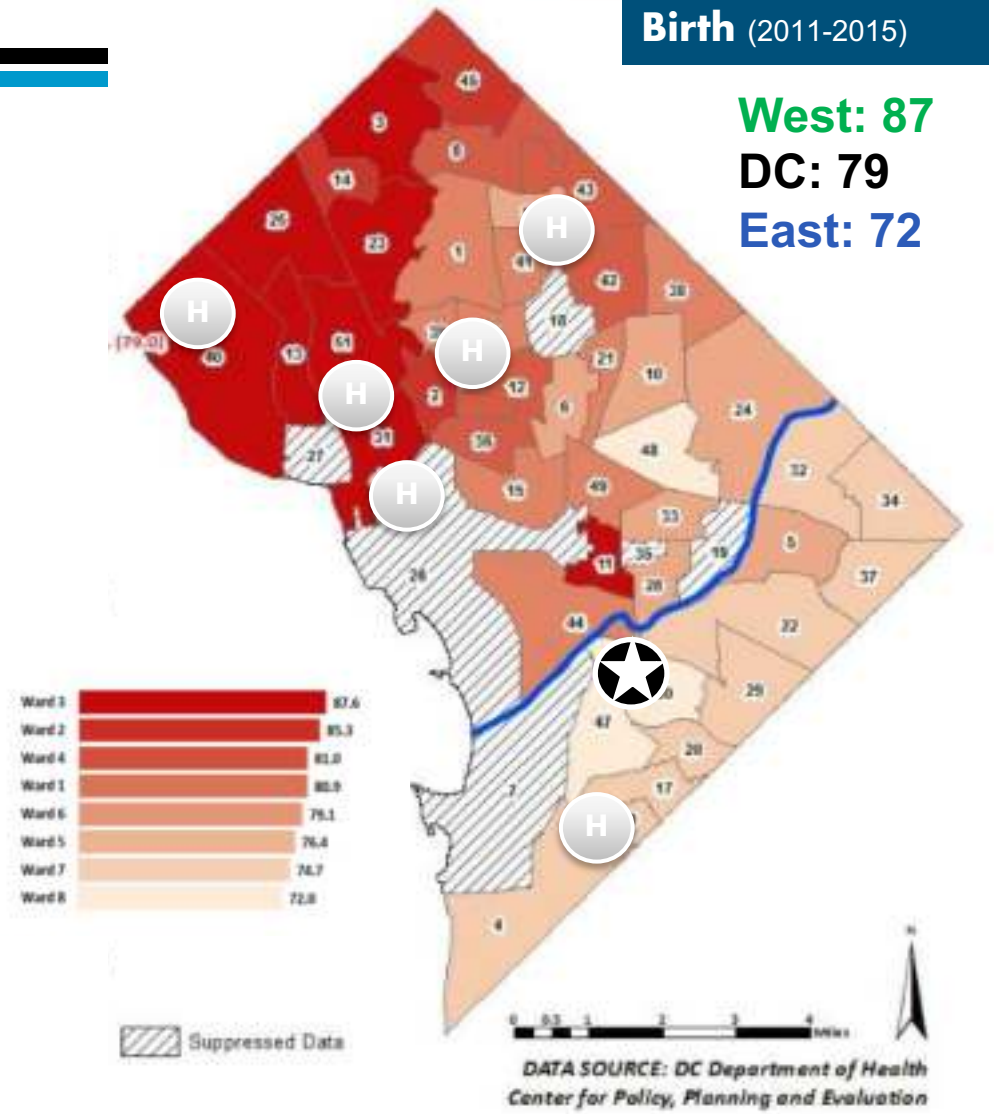
1 Inpatient Hospital
(West: 5 (3 L1))

0 Newborn Delivery/ Maternal Health

0 Trauma Centers

Average Life Expectancy at Birth (2011-2015)

West: 87
DC: 79
East: 72



Although the Residents of Wards 7 & 8 Have the Highest Morbidity Levels in the City, They Do Not Have Access to an Organized And Integrated System of Care

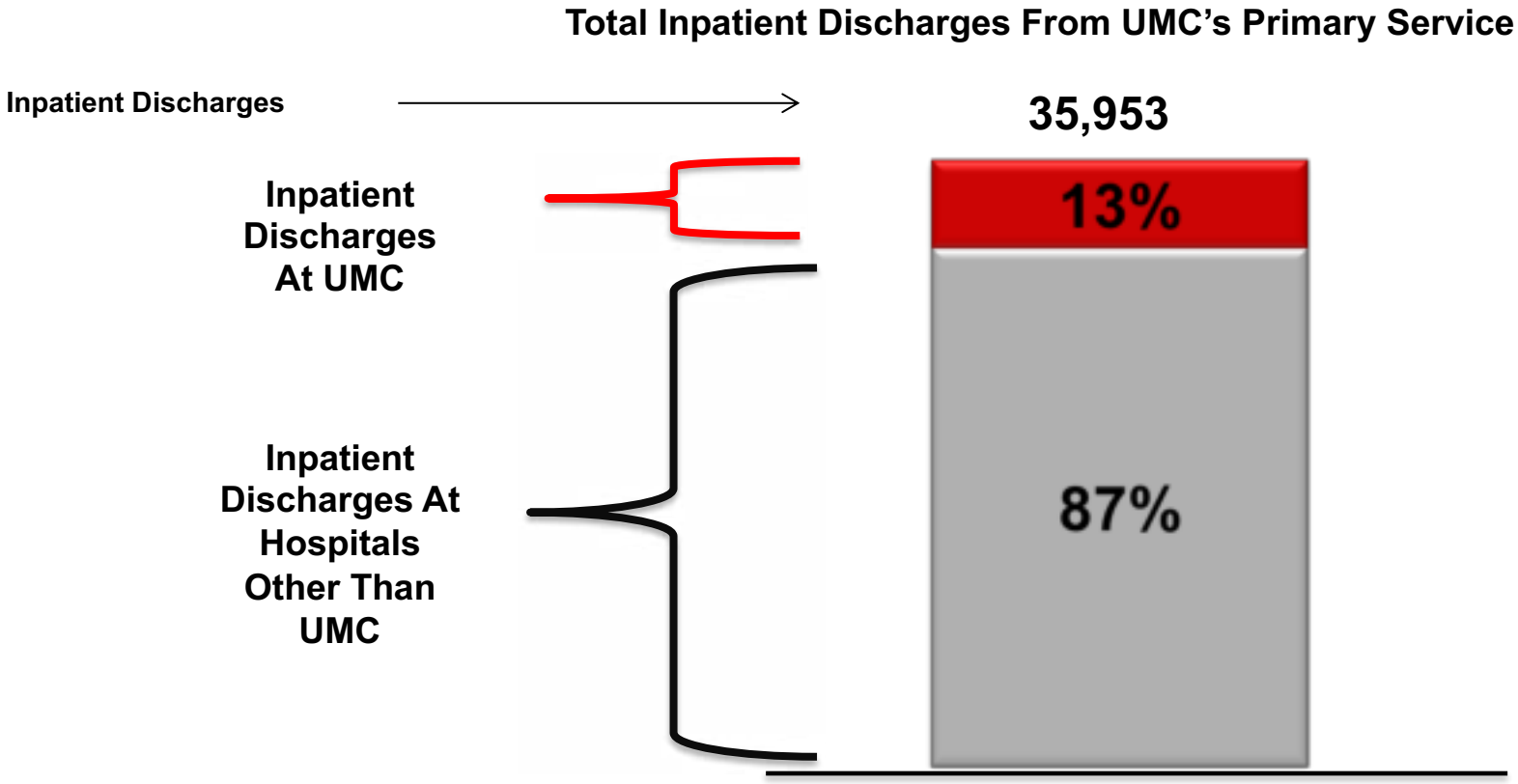
- The absence of a system of care in Wards 7 and 8 undermined the operation of the area's only acute care hospital, the United Medical Center (UMC).

- No referral network from primary, urgent, or specialty care providers.

  - This is echoed through the hospital's finances, making it difficult for UMC to operate without the benefit of a public subsidy – hospital now relies upon $22 million annually from District to support it daily operations.

- When combined with the hospital's other challenges -- brand issues, aging and obsolete infrastructure, no outpatient business model -- UMC continues to struggle with issues around patient volume.

As a Result, UMC Typically Draws Only 13% of the Discharges from Its Primary Service Area, and That Number Has Likely Declined Since Last Measured in 2017



Data Source: 2017 Hospital Discharge Data, DC Hospital Association.
Compiled by: State Health Planning and Development Agency (SHPDA), Center for Policy, Planning and Evaluation, DC Department of Health.

With An Underperforming Hospital and No Outpatient Specialty Care in East End, This Means Most Medicaid Spending on Secondary and Tertiary Care for Residents in Wards 7 & 8 Escapes United Medical Center Hospital

94% To Providers In Other Wards in 2018 ($559.4M)

6% To UMC Hospital in 2018 ($34.1M)

Note: Medicaid and Alliance spending are included in these totals and they reflects payments made to providers in CY2018 for managed care and fee-for-service members for inpatient, outpatient, and non-primary care physician services.
Source: Medicaid Management Information System (MMIS) and United Medical Center Not-For-Profit Hospital unaudited cost report CY2018 from OCFO

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  - ➢ *Are We on Schedule*
  - ➢ *Are We on Budget*
  - ➢ *Scope of Services*
- ❑ Importance of Medicaid In Addressing In Health Disparities
- ❑ The Closure of The Encampment At McPherson Square

Cedar Hill Regional Medical Center Will Represent the Dawn of a New Day

CEDAR HILL
REGIONAL MEDICAL CENTER

GW HEALTH | WASHINGTON, DC

UHS

GOVERNMENT OF THE DISTRICT OF COLUMBIA
MURIEL BOWSER, MAYOR

GW Medical Faculty Associates

Children's National

Status of New Hospital and Health Care System

Hospital: On Schedule

- The new hospital is scheduled to open in early 2025.
- The building will be substantially complete by late 2024.
- There is a comprehensive state and federal regulatory process between when a hospital is structurally complete and when it can begin treating patients.

Urgent Care Facilities

- Ward 8: Opened October 2022. Seeing nearly 1K patients a month.
- Ward 7: Late 2024 – UHS confirming final location and subsequent agreement.

Hospital Budget Overview

Budget by Source

Source	Amount
District Capital	$390.0*
Universal Health Services	$17.1
FEMA via HSEMA (Microgrid)	$1.7
ARPA via DOEE (Solar)	$3.0
Total	**$411.8**

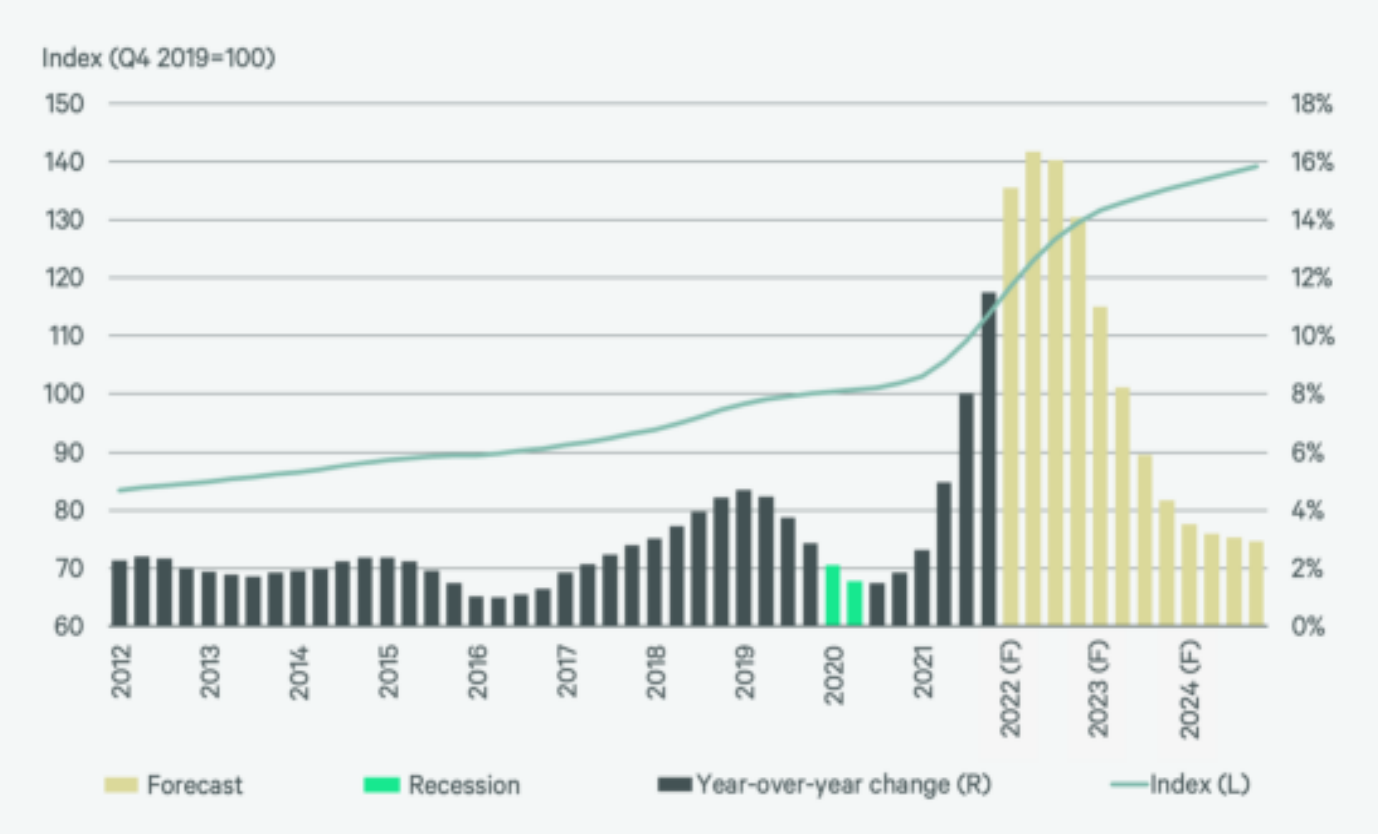
Budget by Expenditure

Source	Amount
Construction	$310.1
Medical Equipment, Furniture and Fixtures	$55.8
Architecture and Engineering	$16.5
Insurance, Testing, Inspections and Contingency	$9.7
Microgrid and Solar	$4.7
Total	**$411.8**

Capital Budget shows $380.0. Pending transfer of $10M from prior account.

Construction Cost Growth Has Been Managed

Nationally, There Has Been A 25% Growth In Construction Cost From 2021 To 2022, But Only 9% For New Hospital



Hospital construction costs have grown by 20% from April 2020 to April 2022.

The Cedar Hill project cost has been held to a 9.9% growth rate – with 75% of that growth invested in a bigger facility.

Can this continue?

Project on Track to Meet CBE Goals

- As of January 2023, we have contracted $91.1M with CBEs on the new Cedar Hill RMC, GW Health.
  - This represents 39% of the current construction contract value—exceeding our goal
- There are 19 CBEs contracted to date:
  - 6 in Ward 8
  - 2 in Ward 7
  - 5 in Ward 5
  - 6 from all other wards
- Of the $91.1M in total CBE contracts:
  - $24.4M to CBEs in Ward 5
  - $0.2M to CBEs in Ward 7
  - $2.5M to CBEs in Ward 8
- As of January 2023, we have paid $27.2M to CBEs on the Cedar Hill project.
  - This represents 50% of total payments to date
- Hired 35 District residents for the project already, we expect that number to grow to approximately 50 by end of the project.
- There will be over 15,000 hours of apprenticeships for DC residents on the project.

*Data provided by Turner and UHS

2,500 Anticipated new Washingtonians born at Cedar Hill in its first year

16 Voluntary and involuntary behavioral health beds

136 Beds, with the ability to expand to 184

550 Full time professionals

Women's health services to include newborn delivery, gynecology, maternal, breast care, pelvic floor care, fibroid and menstrual disorders, and a level 2 neonatal intensive care unit.

40k Adult and pediatric emergency visits

Other Services Provided at the Full-Service Hospital Will Include a Range of Specialty Services, Based on Community Need

Surgery and Trauma

Maternity, Baby Deliveries and Gynecology

Mental Health

Wound Care and Rehabilitation

Infections

Orthopedics

The new hospital will include a full range of specialty services to meet the specific needs of the community:

Kidney, liver, heart, lungs, brain, bones, joints, and cancer.

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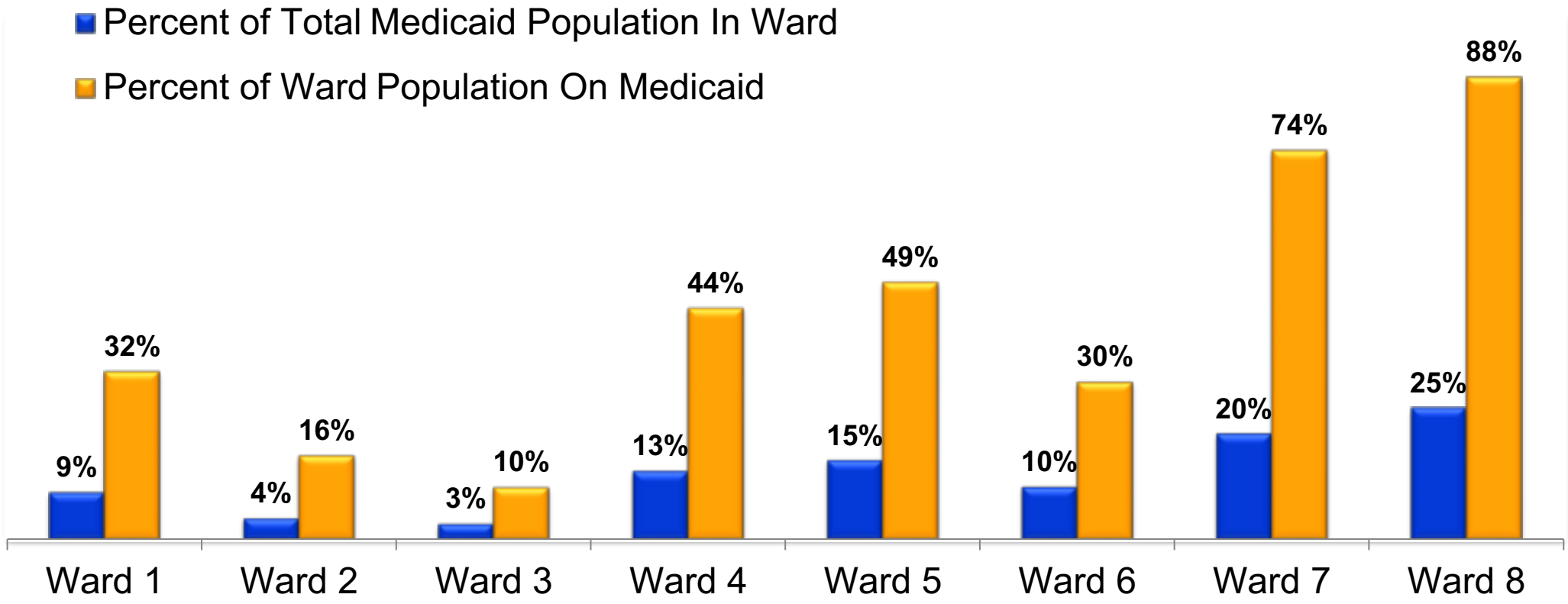
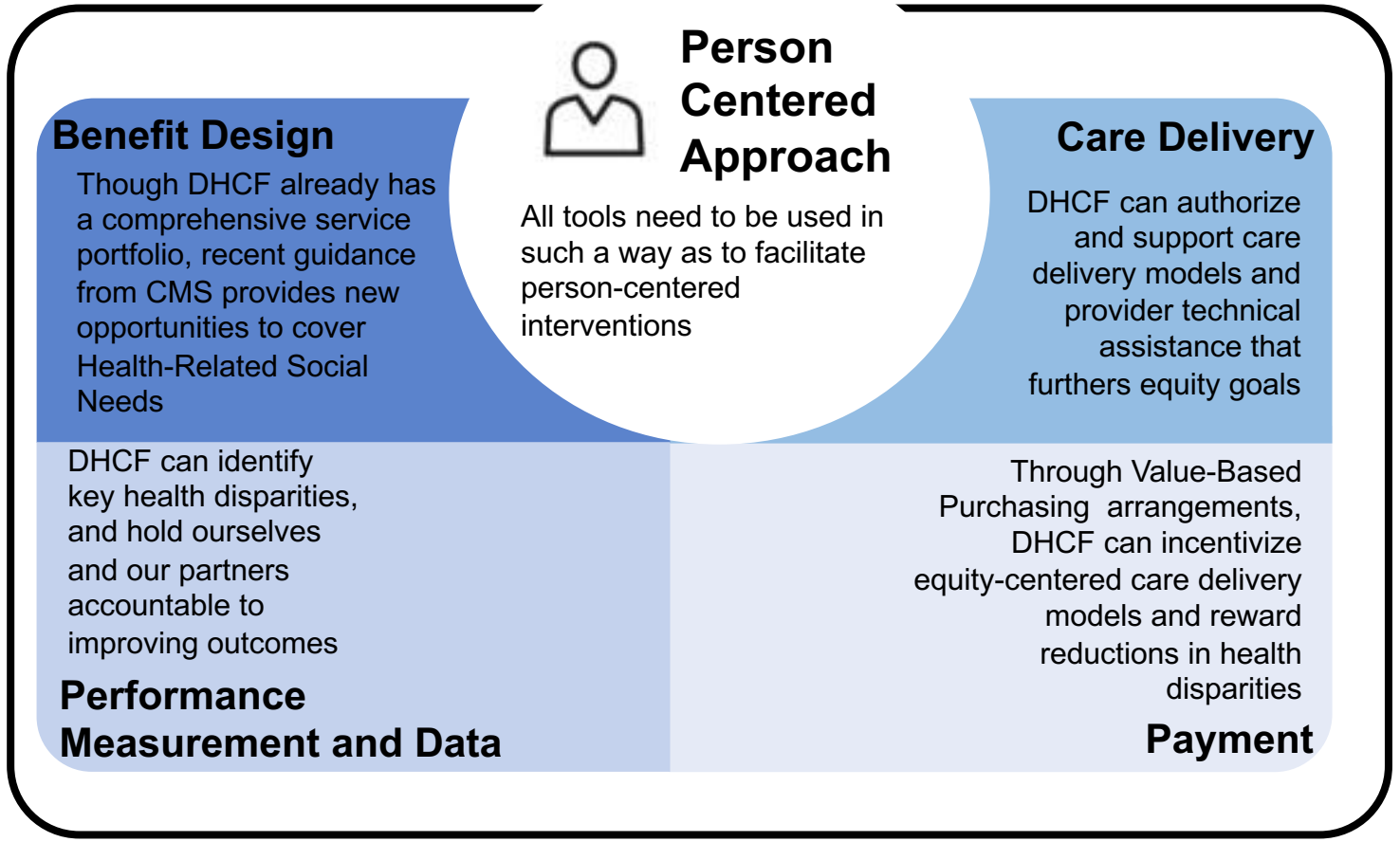
Medicaid Enrollment – a Proxy for Poverty – Reveals High Concentrations of Program Beneficiaries in Wards 7 & 8, Where the Majority of the Residents are African American

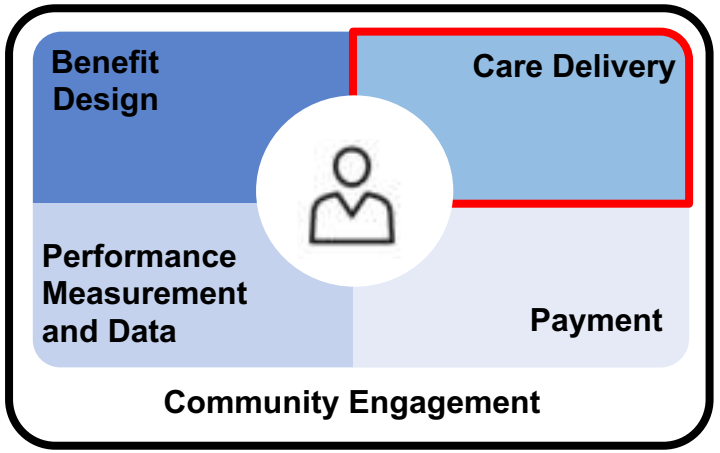


Source: Ward population reflects Census Bureau American Community Survey (ACS) 5-year data for 2016-2020, from Open Data DC. Medicaid population reflects DHCF Medicaid Management Information System data for December 2022, extracted 2/13/2023.

Through Medicaid, DHCF Has the Available Tools to Work Within the Planned East End Health Care System and Address the Existing Disparities



DHCF Has the Opportunity to Implement Innovative Care Delivery Interventions to Achieve Health Equity Goals



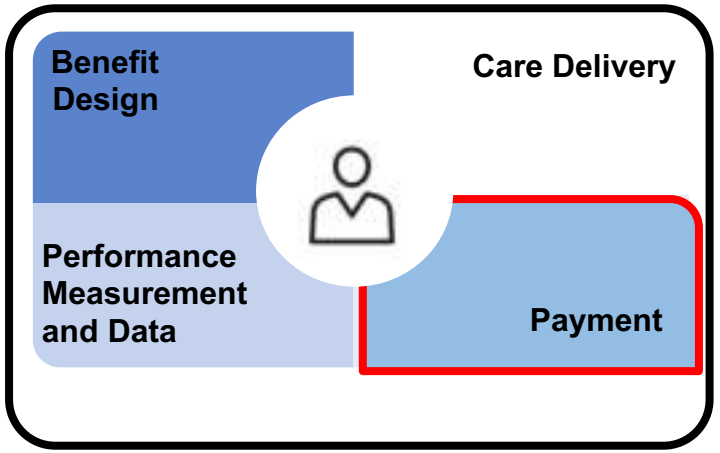
Current care delivery focused interventions include:

- The My Health GPS program
- MCO care coordination efforts
- **MCO universal contract requirements**

DHCF can innovate and improve upon the efficacy of these programs in reducing health disparities through:

- Further innovation in the existing health homes model through payment, delivery, and performance management improvements
- Instituting MCO contract requirements that facilitate increased accountability for health equity

The New Health Care System Will Disproportionately Serve Medicaid Enrollees and this Has Implications For Payment Adequacy



- As a public payer, Medicaid hospital rates in the District – though significantly higher than witnessed in many states – are, nonetheless, substantially below the commercial rates hospitals rely upon to operate above cost.
- Because most of the patients who will utilize the new hospital system will be enrolled in Medicaid managed care, it will be imperative that the health plans pay rates that are higher than customary for the program.
  - Current rates paid by MCOs to hospitals will not be sufficient for a hospital that serves a community where the Medicaid penetration rate approaches 80 percent (Ward 7) and 90 percent (Ward 8).
  - Under the normal payment design, the new hospital would likely experience significant losses from the first day it opened and could not survive without a public subsidy.
- To avoid this problem, DHCF has adopted a payment policy that will require the Medicaid managed care plans to pay the hospital operator the average of the rates received from its commercial plans.
- This will allow Universal Health Services to operate the hospital free from public subsidy, and secure sufficient revenue to reinvest in the facility and community population health programs.

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- ☑ **The Closure of The Encampment At McPherson Square**

On February 15, 2022, the National Park Service Closed McPherson Square to Future Encampments

- Key facts about the closure –
  - It was requested two months early, by me - in my role as Deputy Mayor of HHS.
  - The reason for the closure was due to concerns about the growing size of the encampment, and public health and safety issues.
  - All residents were asked to complete an assessment so the District could determine what housing supports they qualified for.
  - A promise to offer permanent housing, bridge housing, or other temporary short-term housing options was made by DHS through its contractor.
  - As Deputy Mayor for HHS, I did not accept an offer of assistance from a nation organization because the language containing the offer was conditioned on delaying the closure.

National Coalition Of Housing Justice Conditional Offer to Meet

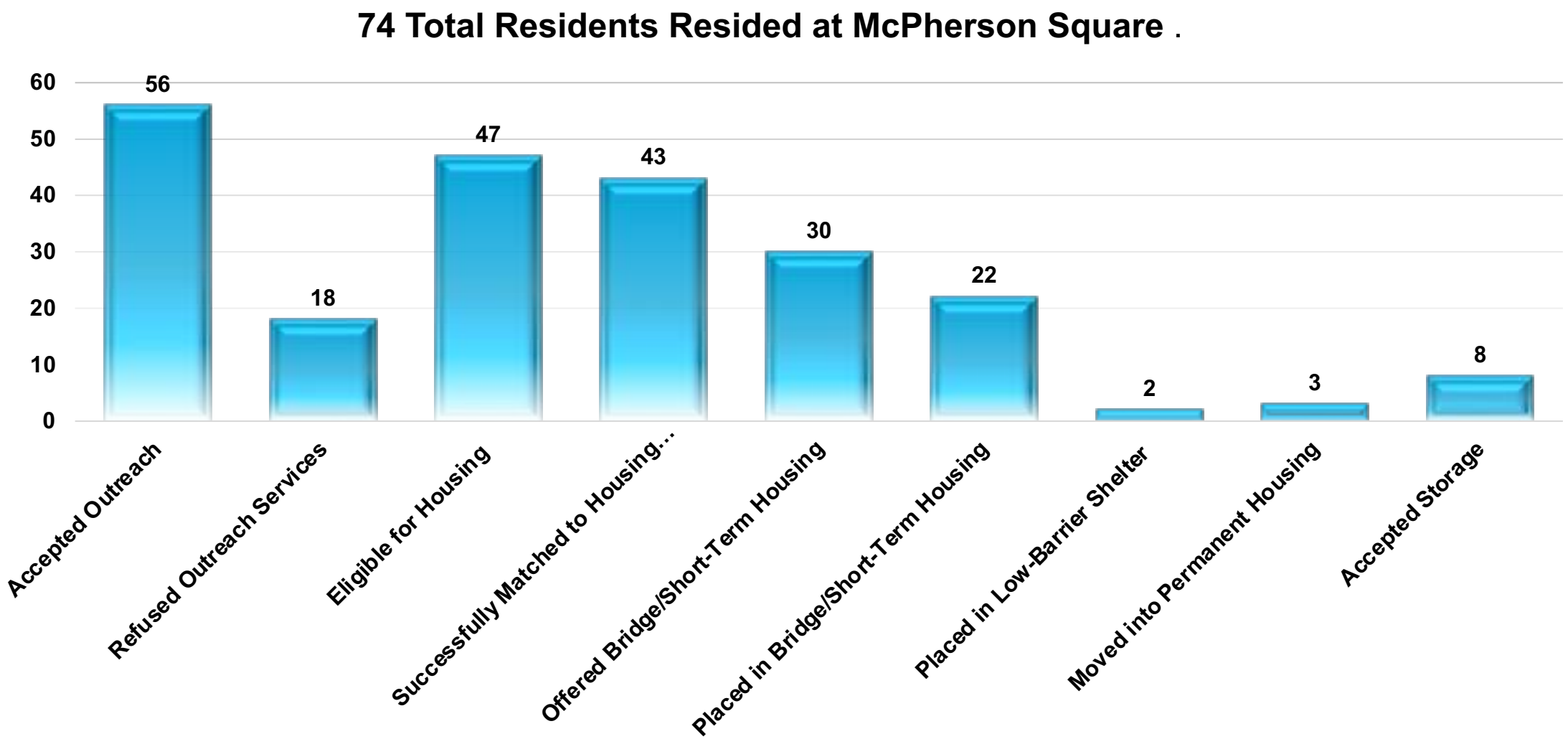
(Red and bold font added for emphasis)

Excerpt of email sent to Deputy Mayor of Health and Human Services by Amanda Andere, sent on Monday, February 6, 2023 4:05 PM

"…In the spirit of partnership, our member organizations – including the National Alliance to End Homelessness, Funders Together to End Homelessness and others – would like to work with your Administration and the appropriate federal agencies to develop a plan of action. Specifically, we are offering **to hold a convening (at our expense) by Friday, February 10 that brings together local and national experts, service providers, McPherson Square residents, funders (including philanthropy), government and other stakeholders to identify the steps necessary to rehouse the residents of McPherson Square** and that can serve as a model for other encampments in the District. **We understand that you have housing resources available for this purpose, but other issues within the system create barriers to utilizing those vouchers effectively or quickly. We hope that you will accept our offer to find an alternative to the planned sweep. If so, we will work with you to develop an agenda and hold the meeting as quickly as possible…".**

McPherson Square Outcomes

(Numbers are reported as of 2/17/23)



The End