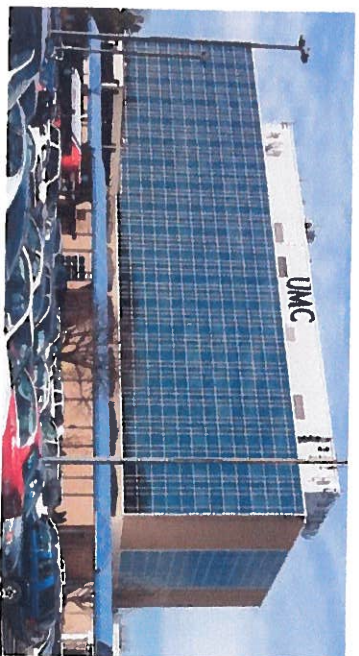




UMC Status Update



September Status Meeting
to the OCFO & DHCF

9/29/17

Agenda

- Hospital Accreditation: The Joint Commission
- OB Closure Status
- FY17 Hospital Budget Gap Initiatives
- FY18 Proposed Budget Discussion (separate document)
- APPRENDIX A: Detailed FY17 Gap Initiatives
- APPENDIX B: August Metrics

Hospital Accreditation

- The Joint Commission unannounced triennial accreditation survey commenced Tuesday, September 19th.
- Five surveyors were onsite at UMC to perform the survey.
 - One surveyor was dedicated to review UMC's OB closure plan and conduct patient chart reviews to ensure the UMC ED is providing safe, quality care to its pregnant patients as defined in the policies for the "Assess, Stabilize and Transfer" model of care. TJC found the UMC plan and ongoing care acceptable with no findings.
- This was the first survey for UMC using the new and stricter Safer Matrix methodology.
 - Over 1820 standards were assessed
 - Only 38 findings identified, none of which were life threatening to patients.
- The surveyors also conducted daily briefings with leadership, individual meetings with the CEO and facilitated a leadership session consisting of board members, physician leaders and hospital executives.
- Most of the deficiencies were corrected immediately while the surveyors were onsite and the preliminary results indicate that UMC continues to retain its full accreditation.
- The official communication will be received from the TJC in approximately ten days.
- The Joint Commission will be back in 30-45 days to ensure the three "condition" deficiencies are appropriately corrected.

OB Closure Status

- The Department of Health issued UMC a restricted license on August 7th closing obstetrics services
- Phase I of the closure plan involved:
 - The appropriate and safe discharge home or transport to another facility of mothers and newborns in UMC on Aug 7th
 - Identification of and communication with ambulatory OB patients to assist with obtaining a new obstetrics provider
 - Physician contracts were terminated
 - Staff reductions executed

OB Closure Status

- Phase II of the closure plan involved ensuring the ED could appropriately stabilize and transfer an OB patients who presented:
 - New policies were written and implemented;
 - Staff were trained;
 - Arrangements were made with ambulance services; and
 - Transfer agreements were established with other hospitals.
- In addition, data is being collected and when the criteria is met, the patient's record is reviewed to ensure quality care is being delivered under the new model

OB Closure Status

- Phase III of the closure plan focuses on re-opening OB services. We are currently:
 - Assessing the root causes that led to the closure
 - Developing recommendations / go-forward strategies that will be presented to the Quality and Patient Safety Board Committee, and ultimately the full Board for approval
- NOTE: Our Finance team will be heavily engaged over the next 3 weeks to support this effort to ensure we appropriately present the financial impact of each recommendation

FY17 Budget Gap Summary

	<u>FY17 Target</u>	<u>Realized</u>	<u>Not Realized</u>
Hospital Operations			
Medical Necessity	\$ 5,000,000	\$ 2,400,000	TBD
- Denials Reduction		\$ 2,400,000	
- Carrier "Clawback" Reduction		<i>unknown</i>	
Supply Chain	\$ 1,000,000	\$ -	\$ 1,000,000
Managed Care Contracts	\$ 2,500,000	\$ 456,000	\$ 2,044,000
Contract Management & Review	\$ 500,000	\$ 154,000	\$ 346,000
	<u>\$ 9,000,000</u>	<u>\$ 3,010,000</u>	<u>\$ 3,390,000</u>

Medical Necessity & Case Management

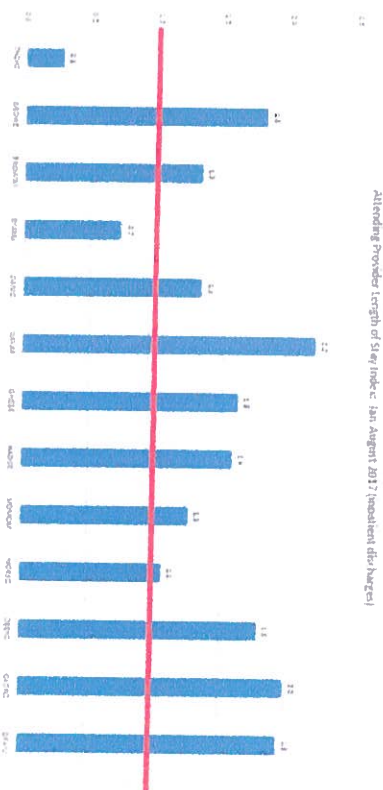
- **ED Case Management program** implemented with coverage 7 days/week during highest volume times to support dispositions and admission review
- New staffing model implemented
 - Each unit **has dedicated social worker and RN care manager** who collaborate to ensure medical necessity criteria is met or addressed
 - 75% complete with 4 FTEs remaining to hire
 - Interqual medical necessity and appropriate level of care (inpatient vs. observation) review is now completed for **all admissions within 24 hours of admission** and then every 3 days
- All admissions are assigned an **estimated length of stay** for benchmarking and real-time management; used for concurrent and retrospective evaluation

Medical Necessity & Case Management cont.

- Focus on patients with **lengths of stay greater than 10 days**; partnering with multidisciplinary team to reduce by 25% by end of current calendar year
- Partnering with CDI/Revenue Cycle team to provide updates and **feedback related to provide documentation**
- Success metrics: length of stay, long stay patients, short stay accounts, observation length of stay, Timely completion of necessity review ---- updated monthly and quarterly
- Physician scorecard / dashboard developed to reflect their **individual length of stay index**, which compares actual length of stay to the projected length of stay based on the patient's DRG with a goal to be at 1 or below the index.

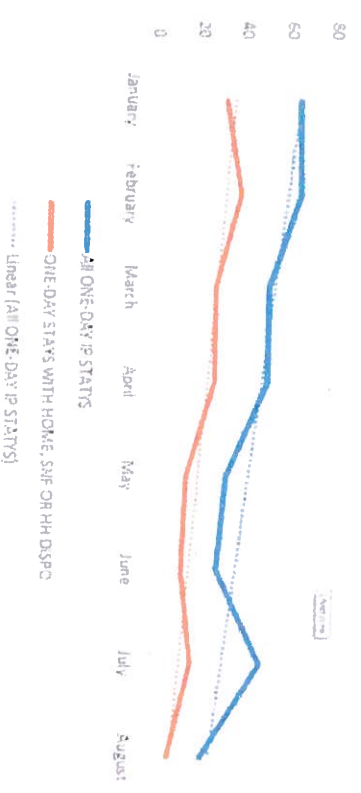
Care Management & Medical Necessity

Inpatient Length of Stay Index



Attending Provider Length of Stay Index (Jan-August 2017 (Inpatient dx: MZC))

CY 2017 ONE-DAY INPATIENT STAYS



Supply Chain & Contract Mgmt.

Savings Target: \$1.5M # of Initiatives: 3

- On-boarded Ray Wilson, our new Material Manager
- Cardinal Health (Major Distributor)
 - Mark-up increased from 7.75% to 13.25% on April 1, 2016
 - Mark-up increase should have been 12.75% (overstated by 0.5%— resulting in an overbill of \$32K for the past 15 months)
 - 2% of the mark-up increase was due to DSO of 56.37 days v NET30 increasing costs by \$130K)
- Negotiated a new distribution agreement with Cardinal to lower mark-up percent

- Work with Finance Team to ensure prompt payment of NET30

12-Month Spend per 12.75% Mark-up						
Spend Category	Total Spend	Old Markup	Cost of Markup	New Markup	New Cost of Markup	Savings Opportunity
Cardinal Brand	\$ 1,137,829.44	12.75%	\$ 145,073.25	0.00%	\$ -	\$ (145,073.25)
National Brand	\$ 4,034,122.56	12.75%	\$ 514,350.63	2.75%	\$ 110,938.37	\$ (403,412.26)
	\$ 5,171,952.00		\$ 659,423.88		\$ 110,938.37	\$ (548,485.51)

Source: 7/10/17 Cardinal Health negotiations

NOTE: savings estimate based on previous volume levels

Supply Chain & Contract Mgmt cont.

- Continue to work with Vizient new Group Purchasing Organization to migrate supply spend to discount suppliers. Go-Live target date: 10/1
- Vizient Phase I - Pricing renegotiations
 - Competed: ~\$350K annual reduction based on prior year spend (34 vendor agreements re-negotiated)
 - In review: ~\$500K in prior year spend (65 vendors)
- Vizient Phases II & III – Product Standardization and Inventory Management
- Completed Reviews – Annually: \$356K, FY17: \$154K
 - Talen Energy, 5/2/17, \$40K annually, \$16.7K FY17
 - Ortho Clinical, 4/30/17, \$228K annually, \$95K FY17
 - Remedi Senior Car, 7/15/17, \$50K annually, \$10.4K FY17
 - New MBO Tenant: Medical Home, 5/15/17, \$6.2K annually, \$2.3K in FY17
 - Cardinal Health overbill refund: \$32K in FY17

Managed Care Contracts

Savings Target: \$2.5M

of Initiatives: 3

- **Negotiated agreement with AmeriHealth**
 - Effective 6/26/17
 - Estimated FY17 increase in annual revenue: \$450K
 - Estimated increase in annual revenue: \$2M
 - Retroactive payment of \$2M not agreed upon
- **Negotiating agreement with AmeriGroup**
 - Legal terms negotiated
 - Rate negotiations on-going
 - Executing LOA to ensure coverage effective 10/1/17
- **Working with legal to identify a firm that negotiates MCO agreements on behalf of hospitals**

Hospital Initiatives: Medical Necessity

Expected Amount Realized Not Realized
 \$ 5,000,000 \$ 2,400,000 \$ TBD

Initiative	Original Date	Target Date	Completion Date	Action Owner	Status
1 Implement InterQual Guidelines	4/30/17	10/1/31	9/1/2017	VP Clinical Svcs	InterQual has been deployed, initial training occurred (5/24/17); however user acceptance did not occur. New management re-training and ensuring usage
2 Physician training on <ul style="list-style-type: none"> - InterQual, - Observation, 	5/26/17	6/15/17	6/2017	VP Clinical Svcs/HIM/IT	Completed. Physician training complete. Refresher training occurring on an as-needed basis. <ul style="list-style-type: none"> - 2-midnight rule and Observation: online informational training module & Chief of Staff mandatory clinical documentation training Meditech admission logic redesigned and deployed to address 2-midnight concerns.
3 Hire scribe for immediate need for physician documentation	4/17/17	N/A	N/A	CEO / CMO	Discontinued: Physicians implemented 75+ new Meditech templates instead
4 Implement voice recognition for physician documentation (Upon implementation, this will eliminate/significantly reduce scribes)	9/30/17	N/A	N/A	IT/CMO	Discontinued: Physicians determine not necessary

Hospital Initiatives: Medical Necessity

Expected Amount Realized Not Realized
 \$ 5,000,000 \$ 2,400,000 \$ TBD

Initiative	Original Date	Target Date	Completion Date	Action Owner	Status
5 Accountability and monitoring of physician contracts	Continuous	On-Going	On-going / continuous monitoring	Veritas/ CMO/ VP Clinical Svcs	<ul style="list-style-type: none"> - Current contracts for the Hospitalists and ED Services are being updated with additional quality & performance metrics – target date of 8/29/17 - New Anesthesia contract being finalized – target date of 8/29/17 - Developing RFPs for Hospitalists & ED Services, BHU Services, and Physical Therapy – target release date of 9/1/17
6 Placing patients in the correct level of care	Immediate	8/2017	Monitoring is ongoing	Case Mgmt	<ul style="list-style-type: none"> - Completed. - Expanded morning rounds between Hospitalist and Case Mgmt to focus of appropriate level of care for patients - Permanent solution expected by 10/1 once Case Mgmt is 24/7 with staffing agency resources
7 Reduce Length of Stay	Continuous	On-Going	On-going / continuous monitoring	VP Clinical Svcs	<ul style="list-style-type: none"> - Focus on extended stay patients with LOS > 10 days and focus on DRG-specific LOS management and provider variation
8 Case Management assigned to direct admission and surgery department	4/17/17	10/1/17	8/2017	VP Clinical Svcs	<ul style="list-style-type: none"> - Being completed in conjunction with #9 – 24/7 ED staffing

Hospital Initiatives: Medical Necessity

Expected Amount Realized Not Realized
 \$ 5,000,000 \$ 2,400,000 \$ TBD

Initiative	Original Date	Target Date	Completion Date	Action Owner	Status
9 Implement Case Management in the Emergency Room 24/7	Immediate	10/1/17	8/2017	VP Clinical Svcs	Hired Case Management expert; on-boarding additional resources; adjusting schedules to cover ED during peak hours and the weekend. Full staff complement and coverage expected by 10/1/17
10 Training of Case Managers and Social Workers	5/12/17	10/1/17	9/2017	VP Clinical Svcs	Training of existing staff and new hires is on-going and will continue as the case management function is redesigned
11 Create Emergency Room triage and workflow process	4/18/17	Ongoing	4/18/17	CNO	CNO will focus on implementation of a "quick triage" philosophy based on industry standards
12 Institute disposition nurse in Emergency Room – Rename to Throughput Coordinator	5/15/17	10/1/17		CNO	Combined with # 11 above
13 Training of RN/Providers on Observation Criteria	5/12/17	6/30/17	June, 2017	VP Clinical Svcs / CNO	Completed - Physicians training on-going - ED Nurses will be trained via annual competency modules

Hospital Initiatives: MCO Contracts

Expected Amount Realized Not Realized
 \$ 2,500,000 \$ 456,000 \$ 2,044,000

Initiative	Original Date	Target Date	Completion Date	Action Owner	Status
14 Initiate communication with Payors to re-negotiate all Master Agreements	4/17/17	10/1/17		VP Clinical Svcs	Completed. Reviewed all current agreements. Will continue to
15 Provide AmeriHealth Master Agreement(s) to Legal for review & red line	5/31/17		6/23/17	Veritas	Completed.
16 Make business decision to enter into new and/or revised Payor Master Agreement(s)	4/30/17	10/1/17		CEO	On-going. Completing rate negotiations with AmeriGroup, new Medicaid MCO. Executing an LOA to ensure coverage 10/1/17. Will negotiate new agreements with commercial carriers as applicable.

Hospital Initiatives: Contract Mgmt. & Supply Chain

Expected Amount	Realized	Not Realized
\$ 1,500,000	\$ 154,000	\$ 1,346,000

Initiative	Original Date	Target Date	Completion Date	Action Owner	Status
17 Evaluate all outsourced vendor contracts to quantify savings	8/31/17	10/1/17		Veritas	<p><u>Completed:</u></p> <ul style="list-style-type: none"> - Talen Energy Retail, 2-May-2017, \$40,000.00 - Ortho Clinical (lab supplies), 30-Apr-2017, \$228,006.00 - Remedi Care, 16-July-2017, \$50,000 <p><u>In-Process:</u></p> <ul style="list-style-type: none"> - Cardinal: \$32K retro; \$550,000 - Vizient : \$350,000 - Anesthesia - ~\$40,000 - Tenant Leases - ~\$140,000
18 Evaluate supply chain department and develop hospital-wide supply monitoring program	5/31/17	10/1/17		Veritas	<ul style="list-style-type: none"> - Transition of GPO services expected to be completed in early October
19 Evaluate physical therapy contract	4/24/17	10/1/17		VP Clinical Svcs	Developing RFP to competitively bid the services.

Hospital Initiatives: Revenue Enhancement

Initiative	Original Date	Target Date	Completion Date	Action Owner	Status
20 Improve skill mix in SNF	7/31/17	On-Going	On-Going	CNO	On plan. Currently 16 Medicare patients; 118 census (13.6%)
21 Prepare Service Line Proforma (OCFO) by 4/30/2017 & Develop corrective strategies for underperforming programs	5/31/17	12/31/17		CEO & CFO	Initial proformas analysis performed by the CFO identified problems with system data.
22 Service Line growth plan(s)	7/28/17	On-going	On-going	CEO/VP Clinical Svcs	See #28 Service Line Proformas
23 Develop/revise charge ticket & define charge capture process for Clinic Visits	5/31/17	10/1/17		VP Clinical Svcs / PFS Finance	PFS finalizing charge tickets. Training and roll out will occur upon completion
24 Purchase and implement phone system to increase Outpatient appointments	4/30/17	9/1/17	9/1/17	IT/PAS Finance	Completed. The new ACD phone system is operational
25 Purchase and implement HIM 3M revenue cycle software	6/30/17	3/31/18		CEO/CFO/IT	In-process: Contract completed late Aug/early Sept. Implementation - 4 to 6 months
26 Collaborate to implement hospital clinic visit billing	7/31/17	10/31/17		VP Clinical Svcs	In-process: implementation of eClinical Slippage due to file conversion analysis, delayed 30 days
27 Implement hospital based clinic visit billing	7/31/17	10/31/17		VP Clinical Svcs	In-process: implementation of eClinical Slippage due to file conversion analysis, delayed 30 days

Hospital Initiatives: General

Initiative	Original Date	Target Date	Completion Date	Action Owner	Status
28 Identify and document CEO's strategy to increase/maintain sustainable volumes	6/30/17	On-going	On-going	CEO	This is an on-going effort. With the recent OB closure and the subsequent and continued media coverage, volumes have been significantly impacted. Volume suppression is expected throughout the first quarter and into Feb.
29 Evaluate the need for Gastroenterology orders	4/17/17	6/16/17	6/16/17	CMO	Completed. Initial conversations with physicians indicated this is not an issue
30 Evaluate the need for all physical therapy orders	4/24/17	10/1/17	6/16/17	CMO	Completed. Initial conversations with physicians indicated this is not an issue

Appendix B: August Metrics

Aug Financials

- Veritas received August financials on 9/27/17
 - Monthly performance indicators not provided
- August and September volumes suppressed due to OB closure / negative media coverage
 - In-patient volumes lower by 20+% YOY
 - ED volumes lower by 5% YOY
- Lower volumes expected as long as the media coverage continues