

Virginia Health System Priorities

Senate Finance HHR
Subcommittee
January 26, 2015

Building a Path for a Healthy Virginia

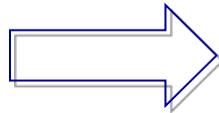
And Top Tier Performance on Healthcare Value

- **Hospitals and Health Systems Today and Tomorrow**
- **Addressing the policy challenges**
 - Coverage
 - Rural Health Care
 - Healthcare Workforce / GME
 - Evaluation of assessment options

Hospitals and Health Systems Today and Tomorrow

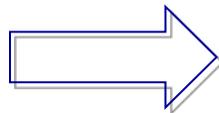
- **Virginia Health systems long track record of high value performance and financial stability**
 - status quo policy presents major financial challenges
- **Major transformation in health care underway:**

Volume



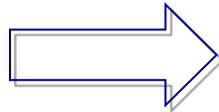
Value

Fragmented care



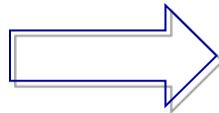
Clinically Integrated

Individual practice



Team care

Information silos



Seamless exchange

Hospitals and Health Systems Today and Tomorrow

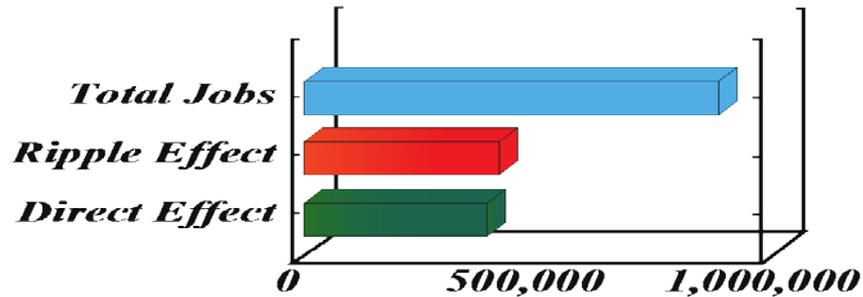
- **Transformation journey is well underway but far from compete**
- **Trajectory is clear, toward systems achieving the triple aim:**
 - Better care
 - Better health
 - Lower costs
- **How can the Commonwealth help?**
 - Pragmatic approach to health policy challenges
 - Support and oversee innovation plan and reforms
 - Avoid doing harm

Hospital Community Support Roles

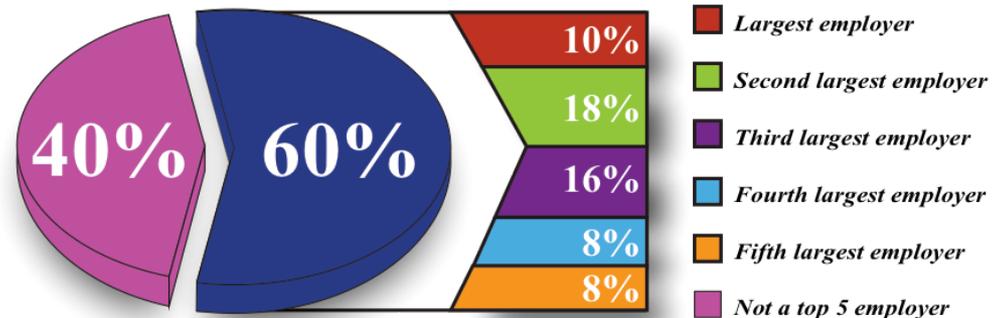
- **Treat all in the community, regardless of ability to pay**
 - \$600 million in net charity care costs in 2012, up 50% in four years
 - plus \$339 million in Medicaid shortfall
- **Offer essential health care services (that are not financially self-sustaining but critical)**
 - E.g., OB in underserved areas, trauma center, burn treatment
- **Public health resource in the event of catastrophic event or highly infectious disease (e.g., Ebola)**
- **Subsidize undergraduate and graduate health professional education**
- **Support and partner with other safety net providers**

Health Care Employment

Virginia Health Care Industry Supports About A Million Jobs In The Commonwealth

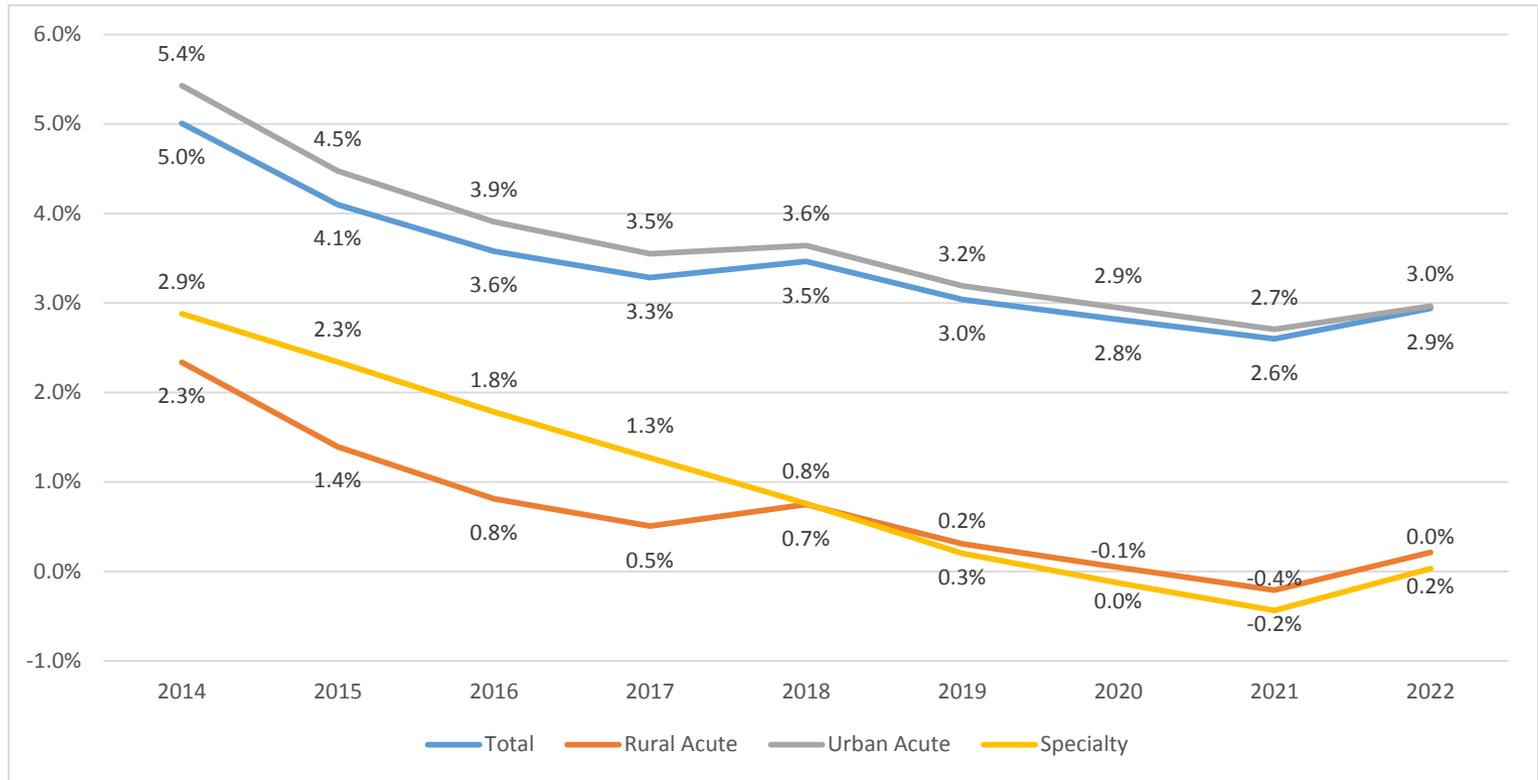


Health Care Is A Top Employer Throughout the Commonwealth



Financial Forecast Under Status Quo Policies

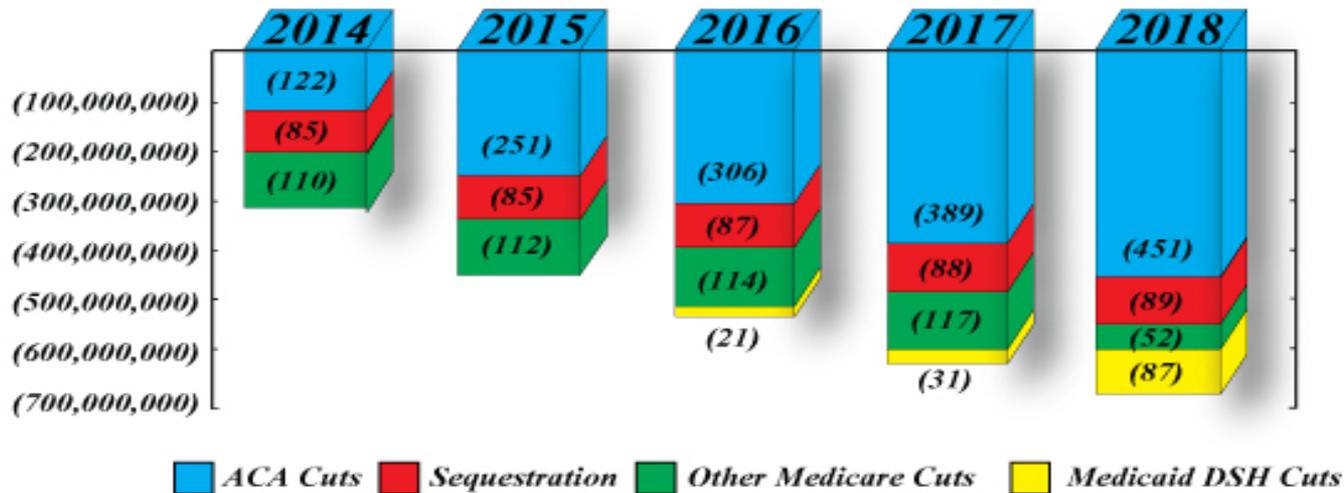
Virginia Hospital Operating Margins



Source: Dobson Davanzo financial forecast model

Federal Cuts are Significant and Growing

Impact of Medicare ACA, Sequestration, Other Medicare and Medicaid DSH Cuts to Virginia Hospitals (In Millions)



Federal Cuts to Hospitals will double between 2014-2017

Policy Priorities - Coverage

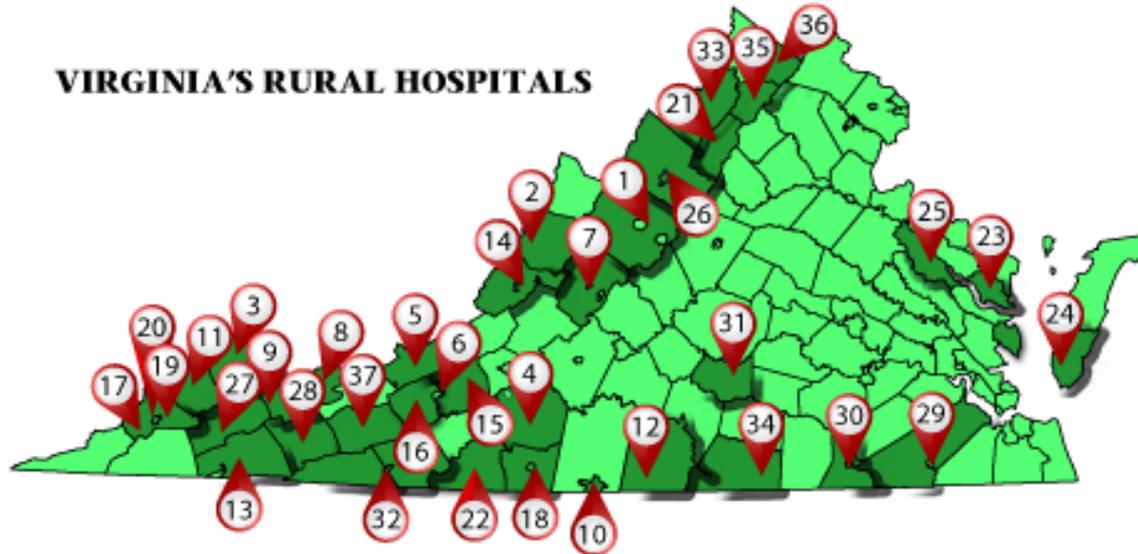
- **We strongly support the Governor's budget language and his continuing efforts to extend coverage to more than 200,000 low-income working Virginians**
- **Thank you to this subcommittee as well for its continued focus and leadership on addressing this priority**
- **We stand ready to work with all sides to find an innovative, bipartisan and fiscally prudent path forward**
- **A Virginia solution will provide dividends to the Commonwealth, its economy and its health care system**

Policy Priorities – Rural Hospitals

- **Rural hospitals are the most fiscally stressed**
 - More than half had negative operating margins in 2012
- **Especially in rural communities, hospitals are critical to the economy and economic development**
 - One of top 5 employers in 82% of rural Virginia communities
- **Item 301 #8s – Carrico directs DMAS to pay costs for Medicaid services provided by Virginia's 37 rural hospitals**
 - Cost approx. \$10 million GF (\$20 total)
 - Not a full solution for coverage or Medicare cuts, but critical help nonetheless

Virginia's Rural Hospitals

VIRGINIA'S RURAL HOSPITALS

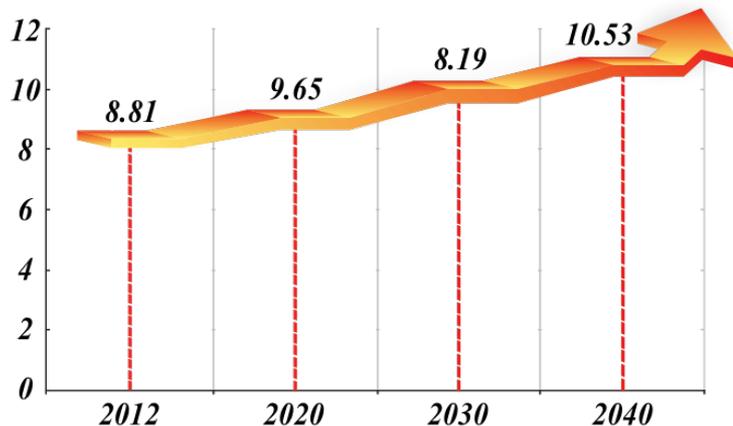


- | | |
|--|--|
| 1 - Augusta Medical Center | 20 - Norton Community Hospital |
| 2 - Bath Community Hospital | 21 - Page Memorial Hospital |
| 3 - Buchanan General Hospital | 22 - Pioneer Hospital of Patrick County |
| 4 - Carilion Franklin Memorial Hospital | 23 - Rappahannock General Hospital |
| 5 - Carilion Giles Memorial Hospital | 24 - Riverside Shore Memorial Hospital |
| 6 - Carilion New River Valley Medical Center | 25 - Riverside Tappahannock Hospital |
| 7 - Carilion Stonewall Jackson Hospital | 26 - Sentara RMH Medical Center |
| 8 - Carilion Tazewell Community Hospital | 27 - Russell County Medical Center |
| 9 - Clinch Valley Medical Center | 28 - Smyth County Community Hospital |
| 10 - Danville Regional Medical Center | 29 - Southampton Memorial Hospital |
| 11 - Dickenson Community Hospital | 30 - Southern Virginia Regional Medical Center |
| 12 - Halifax Regional Hospital | 31 - Southside Community Hospital |
| 13 - Johnston Memorial Hospital | 32 - Twin County Regional Healthcare |
| 14 - LewisGale Alleghany Hospital | 33 - Shenandoah Memorial Hospital |
| 15 - LewisGale Montgomery Hospital | 34 - VCU Community Memorial Healthcenter |
| 16 - LewisGale Pulaski Hospital | 35 - Warren Memorial Hospital |
| 17 - Lonesome Pine Hospital | 36 - Winchester Medical Center |
| 18 - Memorial Hospital | 37 - Wythe County Community Hospital |
| 19 - Mountain View Regional Medical Center | |

Policy Priorities – Healthcare Workforce

Virginia's Population Will Continue to Grow

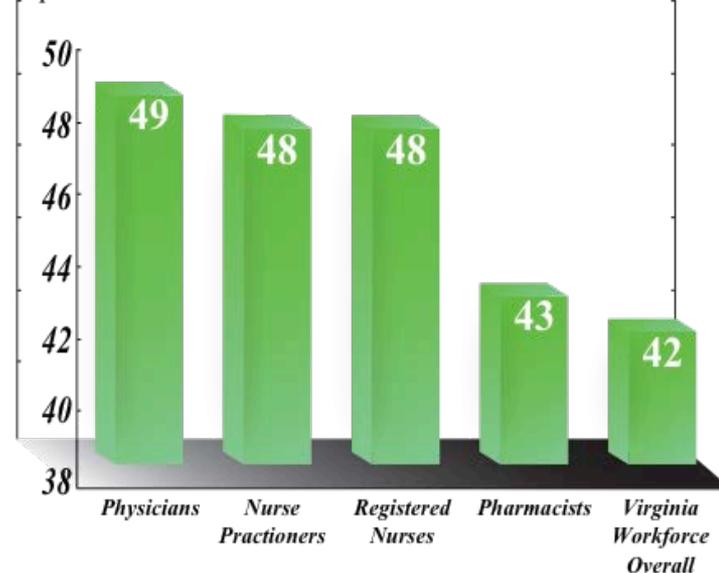
University of Virginia, Weldon Cooper Center Estimates (in millions)



As Our Health Workforce Ages

Median Age of Licensed Professionals:

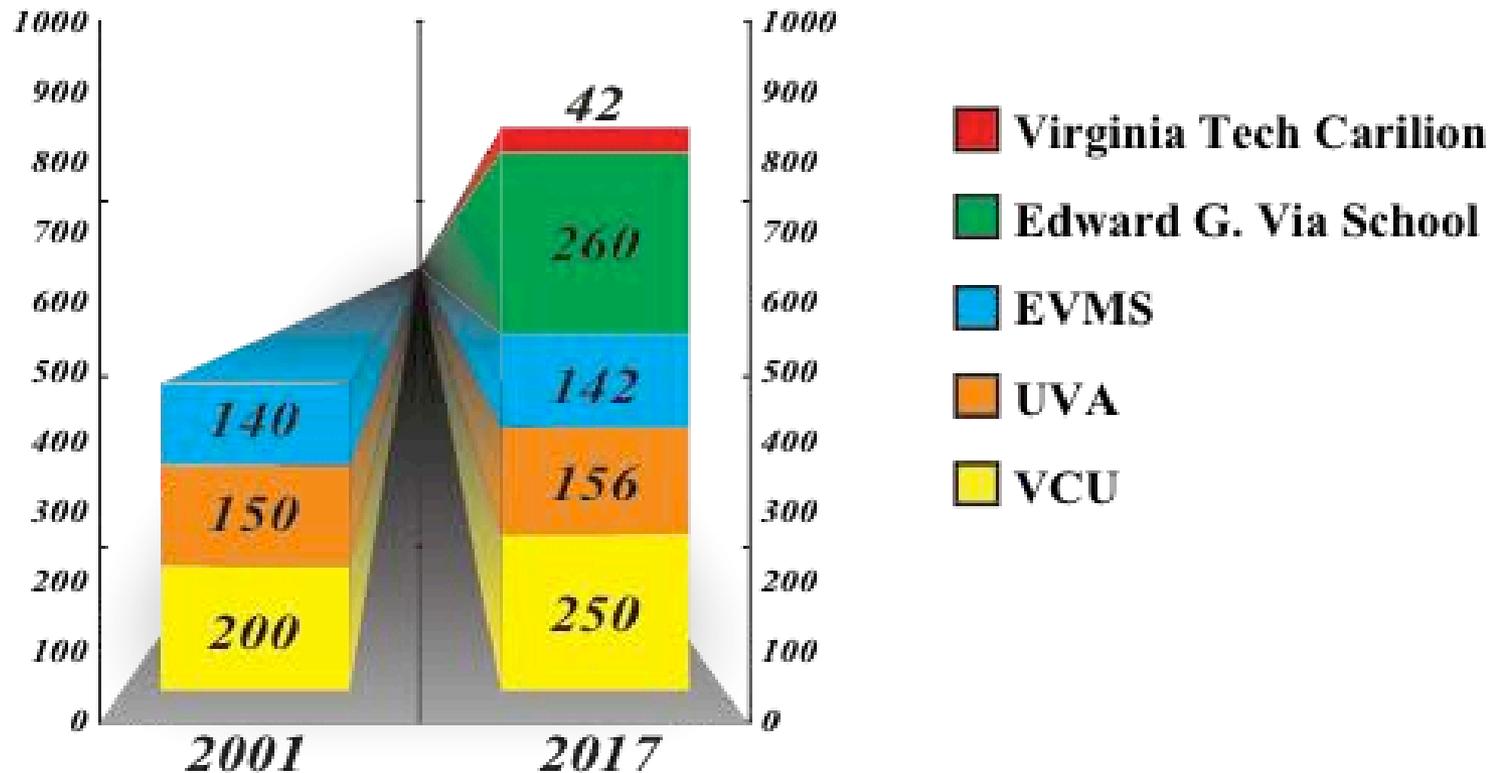
Department of Health Professions Health Workforce Data Center



Policy Priorities – Healthcare Workforce

Virginia Has Added Substantial Medical School Capacity Over the Past Decade Plus

2001 (490 Graduates) vs. 2017 (770 Estimated Graduates)



Policy Priorities – Healthcare Workforce

- **Growth in residencies/training rotations has not nearly kept pace with school graduates, due to Medicare cap and threatened reductions**
- **Net result is that most graduates go elsewhere for training and practice**
- **Supporting existing and incentivizing more health professional graduate training is the most important step the Commonwealth could take to address our future healthcare workforce needs**
- **Item 301 #12s (Howell) and #22s (Watkins) will:**
 - Rebase Medicaid GME payments (which haven't been updated in 15 years) to strengthen current programs
 - Cost \$6.5 million GF (yielding \$13 million in support) in FY16
 - And direct DMAS to support further growth in residencies with incentive fund program in FY17

Policy Priorities – Hospital Assessment

- **VHHA opposes the Governor’s budget language allowing a pilot hospital assessment program**
- **Experience in other states shows that assessment programs, if implemented, must have clear parameters (in statute typically) that very clearly specify who is taxed, how it is assessed, and how the proceeds will be used**
- **CMS requires that such assessments be broad-based, uniformly applied and, after any resulting payment increases back to affected providers, that there be winners and losers**
- **In lieu of current language, VHHA supports a process to study and design a mutually beneficial program that meets certain criteria**
- **With a report and implementation plan to the Governor and General Assembly for FY16 if such criteria are met**
 - Item 278#1s (Watkins)

Policy Priorities – COPN

- **VHHA supports the comprehensive approach to COPN deregulation previously directed by the General Assembly, one that takes a phased approach and ensures that:**
 - Access to care for all Virginians is strengthened;
 - Capabilities to meet public health needs are preserved;
 - Quality protections and accountability systems are in place; and
 - Programs to assure the future health care workforce are supported.
- **COPN is essential for health systems to provide care for the uninsured, offer essential health care services and fulfill our public health readiness role**
 - More than \$856 million in charity care has been provided in meeting the charity care conditions tied to COPNs issued
- **Procedural reforms and improvements are necessary, but piecemeal deregulation of COPN that fails to address the principles above would not yield a better system for Virginians**

Thank You

- **Hospitals and health systems look forward to working with all of you to address the challenges and accelerate the good reforms underway**
- **We are proud to provide high quality, compassionate care to all Virginians and committed to helping make Virginia the healthiest state in the nation**
- **Thank you for your service to the Commonwealth**