

The Westerly Hospital Strategic Overview for 2008

These “talking points” have been developed for facilitate better understanding of the issues facing the Hospital and the actions we are taking this year. Financial figures and other information, unless otherwise noted, are for fiscal year ending September 2007.

Community Need

The Westerly Hospital serves six municipalities in southwestern Rhode Island and Southeastern Connecticut, with a total population of approximately 80,000. The age 65+ segment represents 14% of the total and is projected to grow by 10% thru 2011, while the population as a whole is projected to grow by 4%. The nearest hospitals are 30 minutes away on a good day (traffic lights, weather, beach traffic). Last year 25,000+ relied upon us for Emergency care; 12,800+ relied upon us for surgery; and 4,600+ people relied upon us for inpatient care.

Quality of Care

Quality at Westerly Hospital is excellent as evidenced by the following:

- Inpatient satisfaction was in the top 10% of hospitals in the country
- Emergency patient satisfaction was in the top 3% of hospitals in the country
- Medicare has established 22 Quality Indicators called “Core Measures.” We exceeded the national averages in 18 of the 22.
- We began a successful new Pain Management Center
- We are the only hospital in the region offering the Bravo Capsule to measure acid reflux in the esophagus
- Our clinical outcomes in the ICU are excellent. In the last six months we have had NO patients developing Ventilator Associated Pneumonia or Central Line Infection, the most common complications for ICU patients.

Accreditations

- The Hospital received a 3-year accreditation from The Joint Commission
- The Laboratory received a 2-year accreditation from both the College of American Pathology and the American Association of Blood Banks
- In Diagnostic Imaging, the MRI, mammography, and (as of 1/08) ultrasound services have all received accreditation from the American College of Radiology.
- The Women’s Health Center and the Hospital have received certification as Baby Friendly from the World Health Organization and Unicef, which will be formally awarded in January 2008.

Hospital Finances

- The Hospital incurred a bottom line deficit of \$1.7 million in fiscal 2007. Corresponding losses for 2005 and 2006 were \$2.2 million and \$1.5 million respectively.
- At fiscal year-end, the Hospital had \$34.8 million in Endowment and Board Restricted funds (*Assets Limited as to Use*). These funds have remained stable- \$36.7 million in 2005, and \$34.1 million in 2006.
- While the net assets have remained stable, we have benefited from improved investment markets. However, strong markets can not be relied upon for our future. Losses from Operations for fiscal 2007 were \$5.9 million, an unacceptably high level, and we need to act with urgency to address the underlying causes of our operating losses.

Rhode Island Community Hospital Issues

- All eight community hospitals had operating losses in fiscal 2006 amounting in the aggregate to nearly \$20 million, and preliminary information for 2007 looks to be substantially worse.
- Hospitals in RI are paid 20 to 30% less by Blue Cross and United Health than hospitals in CT and MA.
- Physicians are also paid comparably less, making it very difficult to recruit and retain physicians without subsidies from the hospitals.
- RI has not provided a level playing field for hospitals versus others providing health care services.
- Teaching hospitals are reimbursed at a substantially higher rate, in theory because of the costs associated with their residency programs. However, many non-teaching hospitals are incurring similar costs for on-call ED responsibilities, for obstetricians, and for hospitalists, with no additional reimbursement.

Westerly Hospital Issues

- Expenses:
 - First, expenses are not out of line. While improvements can always be made, for FY2007 The Westerly Hospital had a Cost per Inpatient Discharge (adjusted for case mix and wage index to account for sicker patients) of \$6223. This is 2% below the forecasted 2007 data for both RI hospitals and for hospitals our size nationally. The last year for which comparable data is published is 2005, where Westerly was 3% below RI and similar sized hospitals.
 - While all hospitals have growing charity care and bad debt, in part as a consequence of insurance plans with increasing co-pays and deductibles, Westerly Hospital includes in its bad debt about \$1.7 million in 2007 owed by people who could pay, but did not pay.

- Revenues:
 - While we have an active staff of 103 physicians, there are not enough physicians to meet the health needs of our community. Westerly Hospital would be the provider of some of those unmet needs. In addition to the issues facing all of RI, Westerly, sitting as it does on the CT border is particularly affected by the differences in payment rates to physicians. There is a 20% to 30% difference in payment between Westerly and Pawcatuck.
 - Within RI, it was learned by the Governor's Community Hospital Task Force that there is a wide disparity in the rate of payment by Blue Cross and United Health for the same services among the eight community hospitals. While the names of the higher and lower paid hospitals were not divulged, we believe we are among the lower paid.
 - We have attempted to improve our payment terms, and Blue Cross has agreed to some important changes, but United Health has not. The individual community hospitals negotiate in the dark, without any knowledge of the rate other hospitals are paid – the process is essentially a pleading, not a negotiation.

What We Are Doing

- **We will begin utilizing hospitalists early in 2008, and we are actively recruiting other new physicians. We aim to bring on staff 5 new physicians this year, with an estimated bottom line impact of as much as \$1.4 million.**
- **We are initiating a focused approach to improving community understanding of the issues facing community hospitals in general and Westerly in particular.**
- **We intend to advocate for legislative/regulatory action:**
 - **Improve physician reimbursement, especially PCP's, to national and regional levels**
 - **Improve reimbursement for the community hospitals to be fair and consistent among them. Also, to moderate the significant financial difference between the community and teaching hospitals.**
 - **Change the system/responsibility for the collection of co-payment and deductibles.**
 - **Other regulatory changes as identified to keep a level playing field.**

We have seen above that there are a number of items requiring legislation and regulatory reform. Advocacy will require:

- A coalition of like-minded community hospitals
- Support from our local legislators
- Editorial support from the media
- Public support born of education and better understanding

What can you do? Please discuss these Talking Points when asked by friends and neighbors about what is going on at our Hospital, and why we need their support.

What can you do?

- 1, Be familiar with some key facts
2. Write to our elected officials; ask questions

THE FACTS TO KNOW:

- Westerly ranks in the top 10% nationally in patient satisfaction for in-patients and top 3% for ED patients
- Westerly exceeds national averages for 18 of 22 quality measures of care established by Medicare
- Westerly meets the requirements of all accrediting agencies
- The community needs several additional physicians, yet recruitment is hampered by low physician payments for services relative to CT & MA
 - There is a 20% to 30% difference in payment to physicians between Westerly and Pawcatuck.
- Westerly's financial situation is not unique; this is a statewide issue
- The eight RI community hospitals collectively lost \$19 million in FY2006, nearly double the \$10.3 million loss for the prior year, and the loss for FY2007 is expected to be significantly higher.
- Payments by one commercial insurer varies among the eight community hospitals in RI by as much as 60% for the same services, and Westerly is believed to be on the low side.
- Westerly's cost per discharge ranks 15% below the New England benchmark and 14% below the national benchmark

THE QUESTIONS TO ASK:

National Officials:

- 1) How can one justify the huge differences in payments between MA and CT hospitals from those in RI? Are the determining formulas valid? Should there be a blending effect to minimize differences.?
- 2) How can one justify the significant differences in Medicare payments to physicians between Pawcatuck and Westerly?

State Officials:

- 3) How long can we sustain the present situation affecting our community hospitals?
- 4) Why are physicians paid so much less in RI than CT or MA
- 5) Why are RI's eight community hospitals reimbursed by Blue Cross and United Health at rates that differ by as much as 30% to 60% for the same procedure?
- 6) Why are teaching hospitals reimbursed so much more than the community hospitals? Are the distinctions still justified?
- 7) Why do we let the present system threaten the future of the lowest cost hospitals?