

Governance Task Force Meeting

March 28, 2011

Good morning Honorable Commissioner Rebeca Sosa, distinguished colleagues, peers, members of the task force and guests. Thank you for the invitation to be here this morning. It is with great honor and privilege that I present to you a brief historical recount of Jackson, its origin, where we were, how we got here and more importantly its challenges of 90 plus years serving this great community of Miami Dade County. This presentation is by no means intended to detail the great work of those that have worked so hard to serve the noble mission of Jackson. It would be doing a disservice to this great institution and the many lives it has saved, for that it deserves volumes of books to be written. The intent of this morning's presentation is to briefly share Jackson's history and current state. My goal is to provide an understanding of some of the issues so many have discussed. I am sure that many or all of you could write all or a part of this presentation for Jackson has touched the lives of many if not all in this room.

Jackson Health System is an integrated healthcare delivery system licensed for 2200 beds and a budget of 2B dollars comprised of six hospitals across three campuses. It includes a health plan, primary care clinics, nursing homes, and responsible for the care of inmates. It is the largest Public system in the United States as reported by Becker Hospital Review in August 2010.

At the main campus:

Jackson Memorial Hospital, a tertiary teaching hospital, the flagship hospital of the system which houses the residency program teaching 1100 residents and fellows in 72 specialties and subspecialties in affiliation with the University of Miami Miller School of Medicine for 60 years. It is the third largest teaching program in the United States. It is also a center for research and home to the Ryder Trauma Center, the only Level One Adult and Pediatric trauma and burn center in Miami Dade County. Since 1992, Ryder Trauma Center has been saving lives and has the lowest mortality rate when compared to similar Level One trauma centers. It is the Center where the Department of Defense has chosen as their facility for training the US Army. Important enough that residents of Miami Dade County agreed through a referendum in 1991 to tax themselves a half penny to provide quality care in services such as trauma, burn center, children's services and other services needed in Miami Dade County. Also housed at Jackson Memorial Hospital is the well acclaimed Burn Center and the University of Miami and Jackson Memorial Transplant program, a world leader in organ transplants, performing more than 400 solid transplants a year, now it its 40th year of service and receiving national recognition from the Department of Health and Human Services.

Holtz Children's Hospital, also at the main campus. It is the Home to one of the Nation's best Neonatal ICU. Recognized repeatedly in US News and World Report as one of the best neonatal programs in the United States.

The Rehab Hospital, leading an important mission aligned with the Neurosurgical and Orthopedic services.

And

The Mental/Behavioral Hospital with its important crisis unit and intervention.

In 2001, Jackson Health System acquired Jackson South Community Hospital from HCA, formerly known as Deering Hospital. Currently licensed for 199 beds and most recently opened its doors to the new Tower, a four story patient care and treatment facility which houses 48 new private beds and 12 intensive care suites, eight new operating rooms, new endoscopy and cardiac catheterization rooms, recovery rooms and a brand new Pharmacy. A few months ago it opened its new emergency room to serve the residents of South Dade.

In 2006, Jackson Health System acquired Jackson North Medical Center from Tenet Hospital Corporation formerly known as Parkway Hospital. It is licensed for 398 Beds and has 199 Beds in operations. It is a teaching hospital in affiliation with the Florida International University Herbert Wertheim College of Medicine. Currently teaching first and second year medical students from the College.

Opening its doors in 1918 as Miami City Hospital to provide care for the Spanish Influenza, the hospital was filled to capacity within hours. Renamed Jackson in recognition of the visionary, Dr. James Jackson, Jackson has always fulfilled a mission of service to everyone regardless their ability to pay, a noble mission, but a costly mission especially in view of our nation's economic downturn and a healthcare industry that is changing rapidly.

During the subsequent decades, Jackson saw its share of challenges from governance to operations and mission of providing services with little resources. In 1973, The County decided to develop a Board to oversee the operations of the hospital that was filled with complex health care issues within a rapidly changing healthcare environment; yes even in the 70's, 80's and 90's Jackson was dealing with the same issues facing us today such as: a demand for services by a population that has no other place to go, a changing economy, changing political and industry landscape, immigration, and a sicker population than any other city in the United States as recently confirmed and reported by the Institute of Medicine just this past week.

In 1991, Ira Clark then President and CEO of Jackson Memorial Hospital, together with a group of community leaders and finally supported by the taxpayers of Miami Dade County, approved the half penny, for a Jackson located on the main campus and a Jackson providing care to a different Miami Dade: with a population of 2M in 1991 and an unemployment rate of 7% versus 2.5M as reported in 2010 and an unemployment of greater than 13% and demographics that exhibit a greater diversity, increasing aging population, a more widespread migration to different parts of the County.

Later, through the support of ad valorem taxes, grants, charitable donations, red light trauma funding and general obligation bonds greater access was accomplished. ALL great financial efforts to support the demand, but they were underestimated for a growing population, changing demographics, and unprecedented economic environment. So as demands increased resources fell. This left management facing the task to produce an annual balanced "unrealistic" budget as directed by statute. With the responsibility to close budget gaps, capital and infrastructure suffered.

Fast forward to the why we are here today: On June 2009, a new leadership team began to lead Jackson in an era demanding transparency and transparency was employed not to a new problem, but to an old problem of greater demand and less resources. The old problems have been further enhanced by no more dollars from Local, State, and Federal; a population that can't afford to keep paying and a healthcare delivery system demanding change NOW to reduce cost, improve efficiencies and consolidate while a population with chronic disease increases with less dollars to pay for it. Change is needed now to accommodate a new era of consolidation, accountable care and a different healthcare delivery system from inpatient to outpatient from catastrophic to preventive care.

For the past two years we have blamed governance, management, and anything that anyone could point a finger at, instead of looking for solutions that are not only unique to Jackson, the difference is others like Jackson have found solutions. Solutions that can work well for their community, constituents and more importantly for the healthcare delivery necessary to provide the quality of care Miami Dade residents deserve. Certain features are needed to create the change: **flexibility, knowledge of the current market both in our Community and in the industry of healthcare.** The changes in reimbursement will drive most if not all of the change. The system needs to be nimble and streamline the decision-making process. THIS is imperative to make rapid decisions that will keep the system viable.

For the past two years, this new leadership team has been tasked with reducing a loss of 244M of FY09 to an audited actual loss of 93M in FY10. This is a 152M turnaround. This was accomplished by implementing efficiencies in the revenue cycle (collecting the largest net patient revenue ever reported of 1.1B), operational efficiencies in the emergency room, operating room, case management, renegotiating contracts, partnering with labor and academic partners, and reduction in workforce beginning at the top in senior management. The original projected loss for FY11 was 356M before initiatives. Currently we are trending towards a loss of approximately 100M (that is still a 250M improvement) The projected loss is due to new challenges of declining inpatient volume and reduction in funding, in spite of increase of cash collections, reductions in labor costs and reduction of non-labor costs AND as we face **FY12, the projected loss is of 400M including a 215M in Medicaid reductions both in LIP and rate reductions. This will produce a 300M challenge.**

In FY12, it will be nearly impossible to present a balanced budget. Draconian cuts would be needed unless dollars are provided and available or another solution is brought forth. Although more operational improvements are needed, this budget gap is beyond operational efficiencies. To balance a budget with these projected losses and breakeven at the end of the fiscal year would entail that much of the Jackson we know today would not remain.

Questions such as can we afford to continue to be everything to everyone or are we going to simply focus on being true to our core mission in those services that we can provide with the best healthcare delivery system. Whatever the answer, Jackson needs to remain viable in a competitive market and have a sustainable system for the next 90 years. Dollars, changes in healthcare delivery model, and rapid decision-making process are needed to keep the existing Jackson or we have to face to reinvent Jackson. The message is clear: we need urgent change now. Time is of the essence. Jackson is an asset to all in

this room for different reasons. Let's not focus on the little things, but rather let's solve the greater good. The decision may not be easy, but it should be one that will produce a sustainable Jackson.

Thank you for your attention this morning.