Overview

- Introduction to HMA
- Governance Change: Drivers and Issues
- Case Studies/Discussion
- Florida Landscape
- Broward Specifics
- Future Direction
- Wrap Up/Discussion
Introduction to HMA

National firm with Florida presence, specializing in health care finance, policy, and administration
Seasoned senior staff including hospital executives and senior executives from States and CMS
Staff also includes CPAs, researchers, attorneys, physicians, nurses, HR professionals
HMA/Staff Selected Experience

- Maricopa: First Strategic/Operation Plan after conversion
- Interim CFO, Maricopa
- Ongoing work with Nebraska Medical Center
- Currently assisting a public hospital in determining conversion options
- Major hospital conversion study for Kaiser Family Foundation
Experience (cont.)

Additional related areas of expertise include:

- Assisting with conversions of clinics to FQHC status
- Multiple due diligence efforts
- Business plan development
- Analysis of CMS and state reimbursement implications of governance and other changes
Why Pursue a Governance Change?

Health care reform, managed care expansion drive debate

Perennial reasons for privatization remain applicable:

- Access to capital
- Relief from onerous contracting, hiring rules
- Ability to change direction, adopt innovations more readily
At What Cost? Issues to Consider

Protecting financing/funding – relationship of hospitals to taxing district

Ability to continue/increase IGTs if necessary

Assurance IGTs will be provided on behalf of same providers
Issues (cont.)

Special Programs:
- Low Income Pool (LIP)
- Disproportionate Share Hospital (DSH) - Current program may be limited to public providers
- Hospital Exemptions
- Hospital Buy-Backs
Broward Health - Hospitals
Summary of payments under LIP-DSH-Exemptions and Buybacks
State Fiscal Year 2010-2011

<table>
<thead>
<tr>
<th>Hospital</th>
<th>Low Income Pool</th>
<th>Disproportionate Share Hospital</th>
<th>Hospital Exemptions</th>
<th>Hospital Buybacks</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>BROWARD GENERAL MEDICAL CENTER</td>
<td>$90,598,796</td>
<td>$26,168,701</td>
<td>$18,329,856</td>
<td>$3,455,879</td>
<td>$138,553,232</td>
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<tr>
<td>CORAL SPRINGS MEDICAL CENTER</td>
<td>$9,256,380</td>
<td>$2,297,264</td>
<td>$0</td>
<td>$1,362,999</td>
<td>$12,916,643</td>
</tr>
<tr>
<td>IMPERIAL POINT HOSPITAL</td>
<td>$7,938,048</td>
<td>$2,925,626</td>
<td>$1,360,040</td>
<td>$602,902</td>
<td>$12,826,616</td>
</tr>
<tr>
<td>NORTH BROWARD MEDICAL CENTER</td>
<td>$19,478,425</td>
<td>$10,054,359</td>
<td>$3,466,824</td>
<td>$1,090,838</td>
<td>$34,090,446</td>
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<tr>
<td>Total</td>
<td>$127,271,649</td>
<td>$41,445,950</td>
<td>$23,156,720</td>
<td>$6,512,618</td>
<td>$198,386,937</td>
</tr>
</tbody>
</table>

Health Management Associates
Forms of Conversion

Public hospital conversions can take many forms, each with their own advantages

- Lease
- Merger
- Sale
- Management Contract
- Consolidation
Forms of Conversion (cont.)

- Closure
- Joint Venture
- Public/Private Partnership
- Affiliation
Selected Case Studies

- Truman Medical Center
- Maricopa Integrated Health System
- Grady Memorial Hospital
- University Medical Center Brackenridge
- Nebraska Medical Center
Truman Medical Center

One of the earliest conversions; city in 1964 and county in 1973

- Continues to enjoy broad community support – tax levies continue to support the institutions

- State continues to treat as a public hospital for reimbursement purposes
Truman (cont.)

Truman enjoys the “best of both worlds” in its governance

- Human resources and procurement are independent of government
- Financing support is similar to a public institution
- County owns physical assets which allows for issuing of revenue bonds when capital is needed
Maricopa Integrated Health System

Change driven by financial results that were preventing investments in plant, and were creating financing issues for county.

Voters approved both the new organization and a new tax to support it.

Financial results demonstrate strong turn-around.

Reinvestment in plant and strengthened cash position.
Maricopa Integrated Health System

Problems continue based on remaining requirements relating to being a governmental entity

Competitive disadvantage

Management focus distracted to deal with legislative interference
Grady Memorial Hospital

Conversion was prompted by threat of closure – facility was $55m in the red

Non-profit Grady Memorial Hospital Corporation was created in response to pressure from business community, Legislature

Conversion has resulted in more capital, renegotiation of debt
Grady (cont.)

Grady is not only now in the black, but also receiving recognition for quality of its medical services.

Future concerns include cuts to Medicaid rates, budget woes of counties providing subsidies (Fulton-DeKalb Hospital Authority).
The City of Austin leased the hospital to Seton Healthcare Network in 1995. Operating losses had been mounting. City rules (including personnel policies) hindered effective hospital operations. The conversion was a lengthy process and numerous options were considered.
Nebraska Medical Center

The conversion was in the form of a merger
One of the chief challenges was bringing together medical staffs of two institutions
The center is the third largest employer in the state and has received numerous awards
# Florida Medicaid Program Overview

**Source:** Agency for Health Care Administration  
**Date:** March 7, 2011

| **Expenditures** |  
|------------------|-------------------------------------------------------------|
| • $20.2 billion estimated spending in Fiscal Year 2010-11  
  • Federal-state matching program – 64.83% / 35.17%  
  • Florida will spend approximately $6,730 per eligible in Fiscal Year 2010-2011.  
  • 45% of all Medicaid expenditures cover hospitals, nursing homes, Intermediate Care Facilities for the Developmentally Disabled (ICF/DD's); Low Income Pool and Disproportionate Share Payments.  
  • 10% of all Medicaid expenditures cover drugs.  
  • Fifth largest nationwide in Medicaid expenditures. |

| **Eligibles** |  
|---------------|-------------------------------------------------------------|
| • 2.9 million eligibles.  
  • Elders, disabled, families, pregnant women, children in families below poverty.  
  • Fourth largest Medicaid population in the nation. |

| **Providers/Plans** |  
|--------------------|----------------------------------------------------------------|
| • Approximately 80,000 Fee-For-Service providers; 25 Medicaid Managed Care plans (18 HMOs and 7 PSNs). |
Florida Medicaid Quick Facts

- Medicaid represents the largest share of federal revenues in the state budget.
- Medicaid represents an estimated 28% of the FY 2010-11 state budget and 16% of state general revenue funds.
- Half of Medicaid enrollees are children, but most Medicaid spending is for the elderly and disabled.
- Florida Medicaid covers the most vulnerable populations:
  - 27% of children
  - 51.2% of deliveries
  - 63% of nursing home days
  - 868,000 adults – parents, aged and disabled
Growth In Medicaid Average Monthly Monthly Caseload

<table>
<thead>
<tr>
<th>Year</th>
<th>Caseload (millions)</th>
<th>Percentage Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>04/05</td>
<td>2.153</td>
<td></td>
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<tr>
<td>05/06</td>
<td>2.204</td>
<td>2.4%</td>
</tr>
<tr>
<td>06/07</td>
<td>2.112</td>
<td>(4.1)%</td>
</tr>
<tr>
<td>07/08</td>
<td>2.149</td>
<td>1.7%</td>
</tr>
<tr>
<td>08/09</td>
<td>2.400</td>
<td>11.7%</td>
</tr>
<tr>
<td>09/10*</td>
<td>2.720</td>
<td>13.3%</td>
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<tr>
<td>10/11*</td>
<td>2.969</td>
<td>9.2%</td>
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<td>11/12*</td>
<td>3.044</td>
<td>2.5%</td>
</tr>
<tr>
<td>12/13*</td>
<td>3.009</td>
<td>(1.1)%</td>
</tr>
<tr>
<td>13/14**</td>
<td>3.330</td>
<td>10.7%</td>
</tr>
</tbody>
</table>

*Estimates based on July 2010 Social Services Estimating Conference
** Estimated increases resulting from Federal Health Care Reform
Growth in Medicaid Service Expenditures

(billions)

<table>
<thead>
<tr>
<th>Year</th>
<th>Expenditures</th>
<th>Forecast Increase</th>
</tr>
</thead>
<tbody>
<tr>
<td>04/05</td>
<td>$13.89</td>
<td>(0.1)%</td>
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<tr>
<td>05/06</td>
<td>$13.88</td>
<td>3.5%</td>
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<td>06/07</td>
<td>$14.37</td>
<td>3.0%</td>
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<td>07/08</td>
<td>$14.80</td>
<td>8.1%</td>
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<tr>
<td>08/09</td>
<td>$16.00</td>
<td>15.5%</td>
</tr>
<tr>
<td>09/10*</td>
<td>$18.49</td>
<td>9.2%</td>
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<tr>
<td>10/11*</td>
<td>$20.19</td>
<td>7.1%</td>
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<tr>
<td>11/12*</td>
<td>$21.61</td>
<td>4.3%</td>
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<td>12/13*</td>
<td>$22.54</td>
<td>11.2%</td>
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<tr>
<td>13/14**</td>
<td>$25.08</td>
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</tr>
</tbody>
</table>

*Estimates based on August 2010 Social Services Long Term Medicaid Forecast
**Estimated increase resulting from Federal Health Reform
Florida Medicaid Budget: How it is Spent FY 2009-10

Source: Agency for Health Care Administration
Medicaid Expenditures
by Service Categories, FY 2010-11

(billions)

- Hospital Inpatient: $3.80
- Prepaid Health Plans: $3.13
- Nursing Home Care: $2.89
- Prescribed Medicine/Part D: $1.69
- Supplemental Medical Insurance: $1.18
- Hospital Outpatient: $1.07
- Physician Services: $1.07
- HCBS Waivers: $1.04
- Low Income Pool: $1.00
- Other: $3.32

Estimates based on August 2010 Social Services Long Term Medicaid Forecast
# Florida Medicaid Enrollment

**January 2011**

*Source: AHCA Website - Medicaid Enrollment Reports*

<table>
<thead>
<tr>
<th>Service</th>
<th>Enrollment</th>
<th>% of Total Enrollment</th>
<th>Enrollment</th>
<th>% of Total Enrollment</th>
</tr>
</thead>
<tbody>
<tr>
<td>Health Maintenance Organizations (HMOs)</td>
<td>1,107,471</td>
<td>39.0%</td>
<td>81,565</td>
<td>35.6%</td>
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<tr>
<td>Provider Service Networks (PSNs)</td>
<td>192,986</td>
<td>6.8%</td>
<td>68,563</td>
<td>29.9%</td>
</tr>
<tr>
<td>Primary Care Case Management</td>
<td>608,964</td>
<td>21.4%</td>
<td>2,274</td>
<td>1.0%</td>
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<tr>
<td>Nursing Home Diversion</td>
<td>17,669</td>
<td>0.6%</td>
<td>2,087</td>
<td>0.9%</td>
</tr>
<tr>
<td>Fee For Service</td>
<td>914,441</td>
<td>32.2%</td>
<td>74,910</td>
<td>32.7%</td>
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<tr>
<td><strong>Total Medicaid Enrollment</strong></td>
<td>2,841,531</td>
<td></td>
<td>229,399</td>
<td></td>
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</table>
**Medicaid Services – General Revenue Need**

<table>
<thead>
<tr>
<th></th>
<th>FY 2010-11* GAA</th>
<th>FY 2011-12 Estimate</th>
<th>Difference Need</th>
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</thead>
<tbody>
<tr>
<td><strong>Enrollment</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Caseload</td>
<td>2,968,660</td>
<td>3,044,418</td>
<td>75,758</td>
</tr>
<tr>
<td><strong>Expenditures</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>General Revenue</td>
<td>$3,431,430,814</td>
<td>$5,442,102,292</td>
<td>$2,010,671,478</td>
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<tr>
<td>Trust Fund</td>
<td>$15,077,555,534</td>
<td>$16,177,706,547</td>
<td>$1,100,151,013</td>
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<tr>
<td>Total</td>
<td>$18,508,986,348</td>
<td>$21,619,808,839</td>
<td>$3,110,822,491</td>
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<tr>
<td>Caseload/Utilization</td>
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<td></td>
<td>$449,361,606</td>
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<tr>
<td>Price</td>
<td></td>
<td></td>
<td>$259,338,807</td>
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<tr>
<td>FMAP</td>
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<td></td>
<td>$1,301,971,065</td>
</tr>
<tr>
<td>Total</td>
<td></td>
<td></td>
<td>$2,010,671,478</td>
</tr>
</tbody>
</table>

Source: Expenditures from August 2010 Social Services Estimating Conference; Caseload from the July 2010 Social Services Estimating Conference.

* Base budget adjusted for nonrecurring funds and annualizations.
# Broward Health

## Medicaid Inpatient and Outpatient Rates

Source: AHCA Website - Medicaid Institutional Provider Cost Reimbursement

<table>
<thead>
<tr>
<th>Medicaid Number</th>
<th>Provider Name</th>
<th>Inpatient Rate</th>
<th>Outpatient Rate</th>
<th>Inpatient Days</th>
<th>Outpatient Claims</th>
<th>Inpatient Revenue</th>
<th>Outpatient Revenue</th>
<th>Total Revenue</th>
</tr>
</thead>
<tbody>
<tr>
<td>100129</td>
<td>Broward General Hospital</td>
<td>$1,557.52</td>
<td>$212.73</td>
<td>38,387</td>
<td>59,699</td>
<td>$59,788,520</td>
<td>$12,699,768</td>
<td>$72,488,289</td>
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<tr>
<td>100218</td>
<td>North Broward Medical Center</td>
<td>$1,445.63</td>
<td>$148.86</td>
<td>5,173</td>
<td>18,737</td>
<td>$7,478,244</td>
<td>$2,789,190</td>
<td>$10,267,434</td>
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<tr>
<td>108219</td>
<td>Imperial Point Hospital</td>
<td>$1,159.64</td>
<td>$126.54</td>
<td>3,129</td>
<td>5,526</td>
<td>$3,628,514</td>
<td>$699,260</td>
<td>$4,327,774</td>
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<tr>
<td>120405</td>
<td>Coral Springs Medical Center</td>
<td>$1,522.93</td>
<td>$123.95</td>
<td>6,537</td>
<td>21,986</td>
<td>$9,955,393</td>
<td>$2,725,165</td>
<td>$12,680,558</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td><strong>$80,850,671</strong></td>
<td><strong>$18,913,383</strong></td>
<td><strong>$99,764,054</strong></td>
</tr>
</tbody>
</table>
Future Direction in Florida

Florida Legislative direction regarding Medicaid managed care

- Last Session Senate and House proposals
  - Senate: expands Medicaid reform to 19 additional counties – little impact on Broward County
  - House: expands managed care statewide – major impact
    - Competitive bid
    - Six regional areas
Wrap-Up

Conversions are prompted by the related issues of financing and operating efficiency.

Because of the number of stakeholders, the ultimate governance structure is not always what was contemplated at the outset of discussions.
Wrap-Up (cont.)

Despite bumps in the road, conversions tend to achieve their stated goals.

Numbers, sources, and term length and staggering are all important considerations for the new board.

If done properly, conversions give institutions the “best of both worlds” while continuing to serve the community.