

Minutes
Community Health System 2020 Meeting
April 11, 2008
Finger Lakes Health Systems Agency

Present: Stephen Ashley (Chair), Len Redon (Vice-Chair), Nancy Adams (tel.), Mark Cronin, Bonnie DeVinney, Robert Dobies, H. Taylor Fitch, Thomas Flynn, John E. Garvey, Susan Holliday, Augustín Melendez, the Rev. George Nicholas, Edward Pettinella, Thomas Richards, Robert Thompson

Absent: Gary Bonadonna, Michael Nuccitelli, Clayton Osborne,

Staff: Fran Weisberg, Sally Trafton, Peggy Clark, Patricia Healey, Tori Toliver

CALL TO ORDER

The Chair called the meeting to order at 4:00PM.

WELCOME & INTRODUCTION

The Chair welcomed the Commission members and introduced Mr. Marc Voyvodich of Stroudwater Associates, who introduced his colleague, Mr. Don Horstkotte. The Chair noted that the Commission would go into Executive Session when the Stroudwater presentation concluded, prior to the University of Rochester Medical Center (URMC) presentation. The reason for this is that the URMC would present confidential strategic and financial data along with their analysis of their Certificate of Need Application (CONA).

PUBLIC COMMENT PERIOD

Twelve members of the public attended the April 11, 2008, meeting. One individual addressed the Commission and urged that nurses' input should also be sought as they are the largest sector of the health care workforce. The Chair noted this and asked FLHSA staff to investigate how best to incorporate the nursing perspective into the Commission's work.

REVIEW AND APPROVAL OF THE MINUTES FROM FEBRUARY 25, 2008

The February 25, 2008, meeting minutes were approved by the Commission.

REVIEW OF PROPOSED COMMISSION PROCESS AND DELIVERABLES

The Chair called for comments and revision to the revised charter and guidelines. Seeing none, the Chair called for a motion to approve the documents. A motion was made and seconded.

At this point, the Chair gave Mr. Voyvodich the floor. Mr. Voyvodich thanked the Chair and referred Commission members to a handout of the Stroudwater presentation. He reviewed the topics to be discussed on the April 11 and April 14, 2008, meetings. [Slide

2] The last two topics would be deferred until the April 14, 2008, meeting. Regarding the overview of interview themes, Mr. Voyvodich noted that Robert Sigmond, senior adviser, had also participated in some of the interviews with Commission members and local stakeholders.

REVIEW OF PROPOSED COMMISSION PROCESS AND DELIVERABLES

[Slides 3-7]

Mr. Voyvodich reviewed the study charge and deliverables. [Slide 3] Stroudwater's role is to help the Commission create recommendations, which will guide future decisions on capital investments based on a framework developed by the Commission.

The Commission will make its recommendations by June 30, 2008, and submit its final report to the NYSDOH by September 1, 2008.

Mr. Voyvodich laid out a 'roadmap to June 30' detailing the activities in which Stroudwater and the Commission will engage.[Slides 4-6] During the month of April, several activities will take place: 1) three meetings of the Commission will be held; 2) the three health systems submitting CONAs will present their application to the Commission; 3) complete the initial round of interviews with Commission members and community stakeholders; 4) establish an understanding of performance characteristics of high performing health systems; 5) convene the rural hospitals to establish an understanding of their challenges and perspectives; and 6) explore the implications of alternative supply and demand driven strategies on the characteristics of the northern Finger Lakes hospital delivery system in 2020. During this month, a facility evaluation overview of the region's hospitals will begin under the direction of Domenic S. Pesce, Architect/Planner and President of ConfigureHealth, a nationally-recognized health care facilities planning firm. The review will develop a high-level inventory and evaluation of existing facilities, and to catalogue and quantify capital needs for future renovation, modernization, and replacement. The intent of this process is to present the depth and breadth of the community's health services capital needs to the 2020 Commission.

During the month of May, the Commission has two scheduled meetings. It and Stroudwater will accomplish the following tasks: 1) it will see a presentation of the business community perspective on 2020 Commission issues; 2) it will review community-wide operational and clinical strategies for improving system performance; 3) it will review initial findings and implications of the regional hospital facilities assessment; 4) it will draft an overview of regional clinical and staffing challenges and opportunities; and 5) complete additional interviews.

During the month of June there are three scheduled meetings. During this month, there will be: 1) a presentation and discussion of financing issues and options; 2) a presentation and discussion of capital structure issues and options; 3) a presentation and discussion of system structure issues and options. Also, the Commission will develop and discuss draft recommendations and will develop a communications strategy.

Mr. Voyvodich proposed some ways of thinking about the Commission's process.[Slide 7] First, he addressed the need for the Commission's thinking to remain at a high level. Second, the Commission had some flexibility in reviewing and accepting the CONAs.

Moreover, it was stressed that the Commission had to be able to transcend the hospital system's perspectives and move from an enterprise-specific to a community viewpoint. It is also important for the Commission to balance efficiency and access with patient care, as the patient is the end customer. Finally, it was emphasized that the Commission's decision will have regional economic implications because health care is a high percent of the total domestic product in Rochester and the surrounding counties.

There was concern that the Commission would operate at too high a level and would not recommend a specific number of beds to the hospital systems. It was emphasized that this was still the Commission's goal.

Several issues were discussed. The Chair remarked on the need to schedule a public hearing. Noting that the Commission would hear a presentation from the business community, represented by the Rochester Business Alliance (RBA), it was questioned whether other community constituents would be given a chance to present to the Commission. The RBA's interest in health care, as a representative of the bulk of employers as payers, were given as rationale for hearing their presentation. It was not considered acceptable to combine the public hearing with the community presentation. It was agreed that Commission members would pass on to FLHSA staff their recommendations for other constituencies' presentations or for an interview with Mr. Voyvodich's team. It was noted that the rural hospitals' input would be sought in a private meeting between the hospital leadership and Mr. Voyvodich, after which the hospitals would submit a collective white paper to the Commission.

REPORT FROM CONSULTANT

Relationship of CONA to Bed Need Findings [Slides 8-19]

Mr. Voyvodich presented the total number of beds requested by hospital and type of bed in the CONAs. Rochester General Hospital (RGH) requested 36 medical/surgical (med/surg) beds, Strong Memorial Hospital (SMH) requested 123 med/surg beds, and Unity Hospital (Unity) requested 72 med/surg beds and 13 ICU/CCU beds, for a total of 244 new beds. RGH also seeks to set up and staff 34 beds that are currently under its license, totaling an aggregate proposed new operating bed capacity of 278 beds. Mr. Voyvodich juxtaposed this with the Acute Bed Study Task Force's recommendations of approving 83 to 147 new beds.

It was questioned why the 34 licensed beds RGH was proposing to staff were included in the aggregate new operating bed capacity of 278 beds. It was explained that the staffing of these beds effectively added 34 new beds to the system. The Commission also wondered whether med/surg beds were allocated on the basis of tertiary or quaternary care because beds are not interchangeable. It was explained that the biggest difference among med/surg beds is staffing and monitoring, not the nature of the bed. The higher the acuity of the patient, the more staff was assigned to that case.

The SMH CONA included a pediatric backfill of 56 med/surg beds, which was questioned. It was explained that contemporary space for pediatric patients would be built in the proposed tower. Once the pediatric department was moved into the tower, the old

space would be backfilled with the adult med/surg beds.

The fiscal impact of the CONAs was presented. The total project cost is \$530 million dollars. The equity of the hospital systems is valued at \$165 million, and the financing plan amounts to \$373 million. It is calculated that the third year annual operating costs of the three systems amounts to \$102 million. It was stressed that the costs are not limited to the facility, but also include the staffing needs and the incremental operating costs of running the new capacity. These figures are the numerator of the ratio. The denominator is \$4 billion, the total scale of the health care system's value in the FLHSA northern region. It is calculated that an increase of approximately \$102 million on a \$4 billion denominator equals a 2.5% increase in annual operating costs. These costs are not trivial, but neither are they so big that it is not feasible to consider capital investments. Mr. Voyvodich commented that the region is at an interesting place.

The Commission questioned whether the cost of the 147 beds, the upper range of the number of beds proposed by the Acute Bed Task Force, comprised some portion of the \$102 million operating costs. This was confirmed, and it was added that there is some difficulty in parsing out the costs for renovation and new facility construction. It was noted that an important issue is whether the costs of the new beds can be separated from the modernization costs, with some overlap of the two. An analysis to estimate these costs is underway to do this.

Mr. Voyvodich presented analysis illustrating the daily hospital census vs. capacity at RGH, SMH, Unity, and Highland Hospital. These data demonstrate the daily census at the first three hospitals exceed the staffing capacity and frequently the licensed capacity. Among the rural hospitals, however, the situation is reversed. The delta between the daily census and licensed beds equals 275 beds in these hospitals. This is a central issue for the consideration of the Commission, as it may consider strategies for redistributing demand for hospital services and repatriate patients in their communities.

RELATION OF CERTIFICATE OF NEED APPLICATIONS TO THE ACUTE BED NEEDS TASK FORCE RECOMMENDATIONS [Slide 20]

It was stated that the Commission does not have to reverse engineer its recommendations to the Acute Bed Needs study because several issues were referred from the Acute Bed Needs Task Force to the 2020 Commission, suggesting modifications of the bed need recommendations might occur.

It was stated that the 2020 Commission's recommendations will represent the sole voice of FLHSA to the NYSDOH regarding both the near term issues related to the three CONAs now outstanding, as well as the long range framework describing the next generation of health care delivery in the northern Finger Lakes region.

OVERVIEW OF INTERVIEW THEMES [Slides 21-28]

Over the course of the last four weeks, Mr. Voyvodich has conducted interviews with many Commission members and key community stakeholders. He described an overview of the interview themes.

1. There is remorse related to what the Rochester region lost over the past 10-15 years in terms of its national reputation as an innovative, high performing community-wide health care delivery system.
2. Despite the changes in the region's corporate leadership that historically supported a framework for regional decision making, optimism remains regarding the ability to create a new model for achieving superior regional performance.
3. There is universal recognition that facility assets in the region have been underinvested in, and need to be modernized.
4. There is recognition that investment in incremental beds ultimately represents an opportunity cost related to the region's ability to afford and finance facility modernization. The tragic path is building new beds that are unneeded a decade or more from now.
5. It is understood that building new beds is a long-term solution to an immediate "code red" crisis, and the region can't wait 3-5 years for a solution.
6. There is broad understanding that tertiary and quaternary referrals to the University of Rochester represent an economic benefit to the Rochester region, should be encouraged, and should be addressed separately from population-based bed need within the northern Finger Lakes region.
7. There is perceived value in maintaining a competitive model between hospitals related to broad spectrum performance, but concern that a model driven primarily by economic competition (e.g., market share, capital, expertise) is very expensive.
8. All hospital organizations interviewed are proud of their region-wide perspective, but are unclear how broadly that is shared.
9. There is broad understanding that the University of Rochester is a central force for health care in the region, and that it must assume leadership in promoting a regional perspective for an effective solution to emerge.
10. Bed demand is best addressed from a six county perspective (Livingston, Monroe, Ontario, Seneca, Wayne, Yates) and not by looking at Monroe County in isolation.

MOTION FOR EXECUTIVE SESSION

The Chair thanked the Stroudwater team and noted that the Commission could return to any of the issues raised in the presentation at a later time. A motion was requested to move into Executive Session for the presentation from the URMC of their Certificate of Need application. The motion was made and seconded. The public was thanked for its attendance and comments and dismissed from the meeting.

OTHER BUSINESS

Upon conclusion of the URMC presentation, the Chair thanked everyone for participating. The meeting concluded at 6:30 PM.

The next meeting is scheduled for April 14, 2008, at FLHSA.