



# **HARBORVIEW MEDICAL CENTER FINANCIAL OVERVIEW**

May 6, 2019

# AGENDA

- **FY20 Budget – Guiding Principles**
- **Historical Trends & Financial Health**
- **FIT Update**
- **What are the risks?**

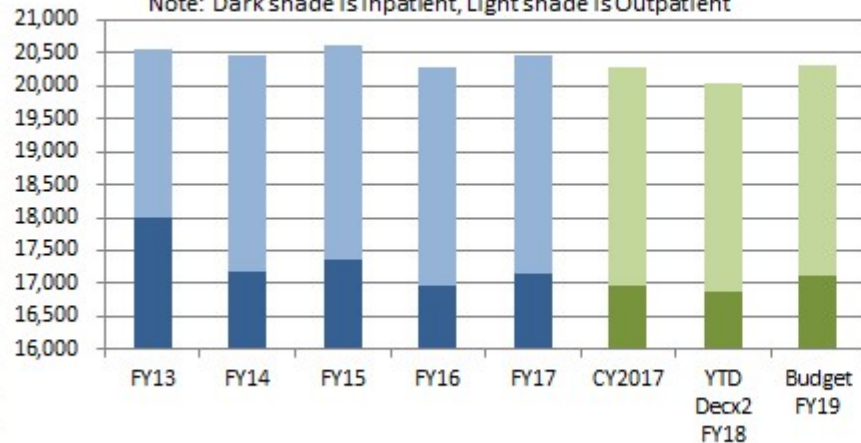
# BUDGET GUIDING PRINCIPLES

- We will identify, invest and develop systems/services which move us from volume to value, particularly with our mission population.
- We must continue to build **growth**, as able. Investments will be limited to strategic initiatives that support more efficient patient throughput and care management.
- We will continue transformation of labor productivity to achieve and move Total Expense AWI/CMI Adjusted Discharge **benchmarking** from our current >75<sup>th</sup> percentile to the 50<sup>th</sup> percentile by 2023.
- We will adopt tools to support **daily workforce management** as provided by Kronos Analytics.
- Earmarks for planned **capital** replacement, IT Infrastructure prioritization.

# TREND OF KEY VOLUMES WITH FY19 TARGETS

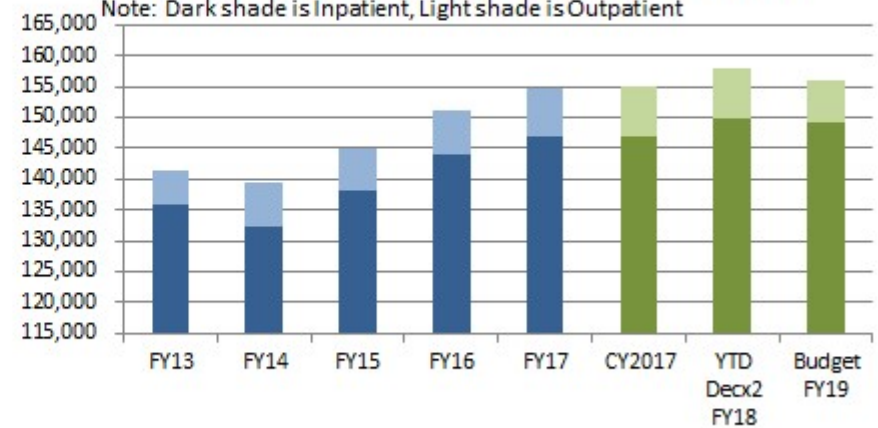
## Admits and Observations Cases

Note: Dark shade is Inpatient, Light shade is Outpatient



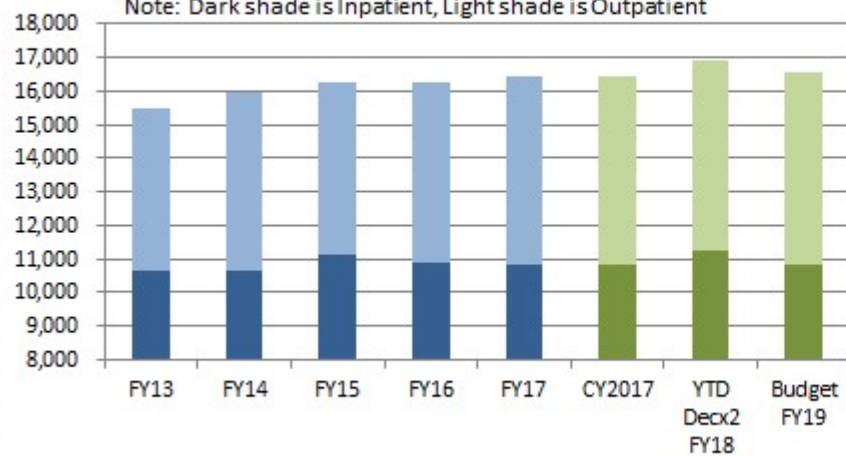
## Patient Days: Inpatient & Observation

Note: Dark shade is Inpatient, Light shade is Outpatient



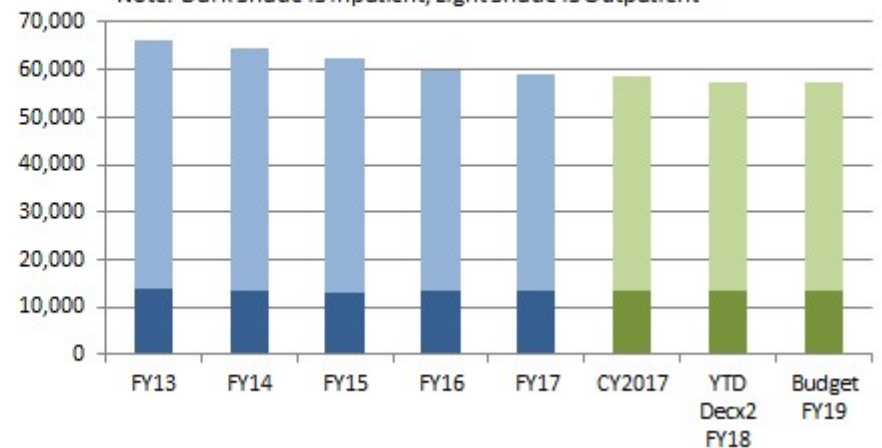
## Surgical Cases

Note: Dark shade is Inpatient, Light shade is Outpatient



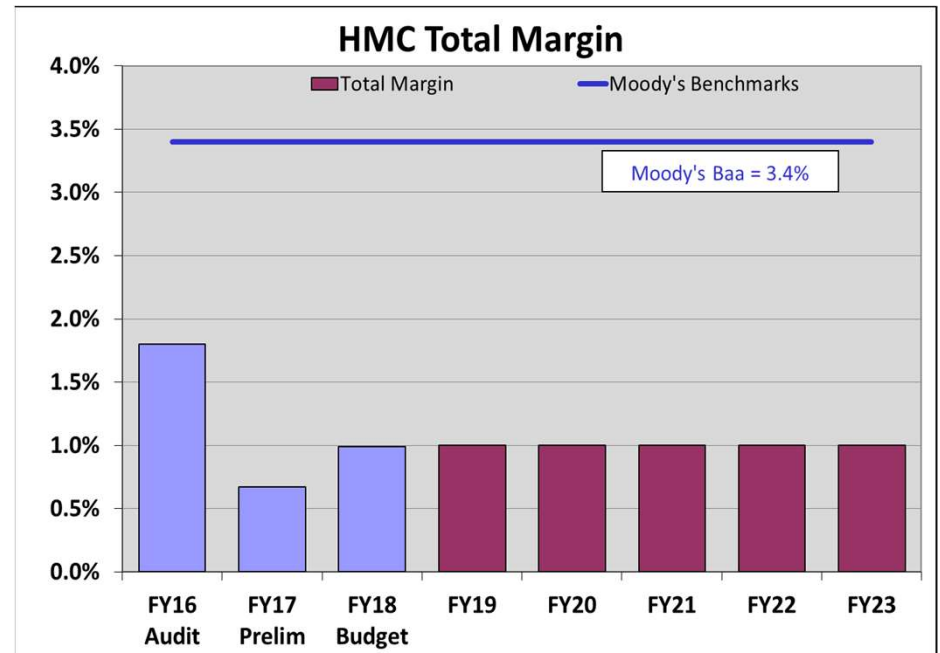
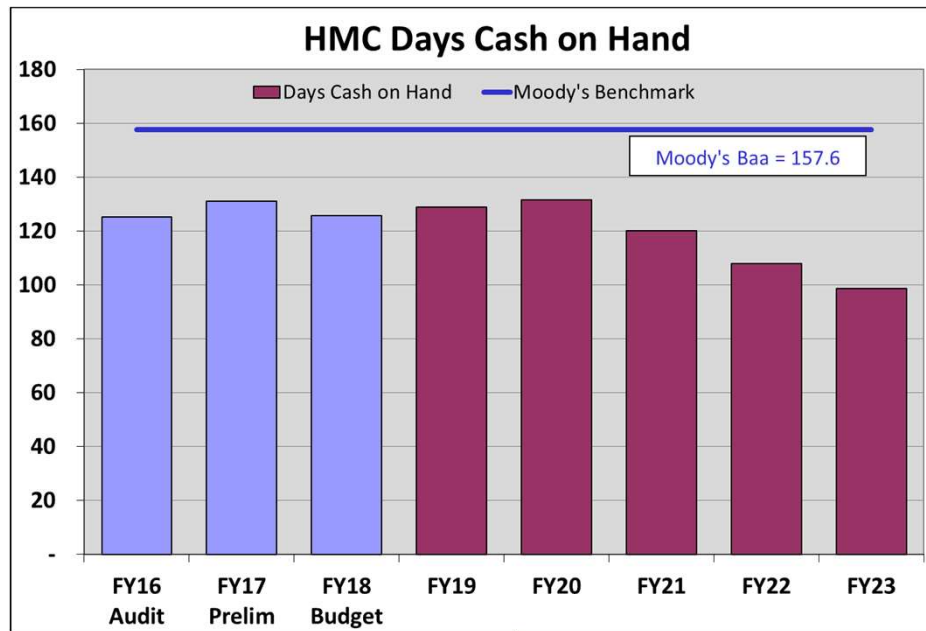
## ED Visits

Note: Dark shade is Inpatient, Light shade is Outpatient



# FINANCIAL HEALTH - WHAT IS OUR TARGET?

in Millions	Audited	Prelim	Budget	Projected				
	2016	2017	2018	2019	2020	2021	2022	2023
Total Margin	\$17.0	\$6.6	\$10.1	\$10.4	\$10.6	\$10.9	\$11.2	\$11.5
Total Margin %	1.8%	0.7%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%



We spend >\$3M/day

## NET REVENUE – WHAT IS AT RISK?

Through the long range financial planning process, HMC has identified risks to net revenue that exceed **\$20M/year** through FY22. These include:

- Commercial – Significant decreases in OP facility fees and shift to ACN and risk-based plans (up to 50% by FY21)
- Medicare – Payment inflation near zero, decreases for potential risk of IME pooled payments, UCP payments and outpatient facility fees
- Medicaid – Decreases for potential risk in IME pooled payments, Disproportionate Share and outpatient E&M facility fees
- All Payors – Infusion, Supply Markup and Outpatient Radiology

An overall assumption of 10% of that risk gets incorporated into the FY20 budget assumptions for net revenue.

# FINANCIAL IMPROVEMENT AND TRANSFORMATION PROJECT FIT

After experiencing negative margins in 2017, UW Medicine embarked on a robust program to improve financial performance and transform how healthcare is delivered. This plan is called financial improvement and transformation, or FIT.

- Multi-year financial improvement plan
- Part of our “Practice Fiscal Responsibility” pillar and long-range financial plan
- Supports UW Medicine’s overall strategic goals
- Combination of revenue generation, cost-savings and infrastructure
- Initiatives involve every entity in our entire system
- Transformation of the way we operate and deliver care
- Urgent — not business as usual
- Critical to our success and our ability to compete

# FIT HIGHLIGHTS AND EXAMPLES

## Revenue Generation

### Service Growth & Max Cap:

- Actively hiring
  - OBs & Midwives for CBC growth
  - Psychiatrists for SSOH growth
- Huron is working on how to increase ambulatory access across primary and specialty care through better utilization of existing resources
- Vizient is working at HMC to alleviate their chronically high patient census

### Revenue Cycle\*:

- Reducing write-offs (-0.2% at UWMC)
- Reducing denials (-7% at HMC)
- Reducing A/R days (-5.8d at UWMC)
- Increasing insurance verification secure rates (+22% at HMC outpatient)
- All while tracking & working to increase staff productivity

### Philanthropy:

- Working on a campaign to support the new childbirth center (CBC) at NWH

\* Preliminary metrics

## Cost Savings

### Labor Productivity:

- Vizient & GE are working with us to identify where we are more heavily staffed than comparable organizations
- We are evaluating a standard vacancy review process for the enterprise

### Clinical Products & Purchased Services:

- Evaluating & quantifying opportunities for reducing pricing and utilization for blood products and orthopedic implants (potentially >\$3M in savings)

### Non-clinical Products & Purchased Services:

- Evaluating savings through contract optimization/consolidation (e.g. clinical eng. maintenance, interpreter services, ...)

### Pharmacy Optimization:

- Implementing an electronic inventory management system to increase JIT ordering and reduce waste (potentially >\$2M in savings)

### Group Purchasing Organization (GPO):

- Potential savings through better group pricing for supplies/equipment (\$7.5M FY19 target)

## Infrastructure

### Clinical Transformation (EHR) Funding:

Standardize technology  
(electronic health record)

### CBC Funding:

Invest in new amenities for women and infants, specifically at NWH

### Appropriations:

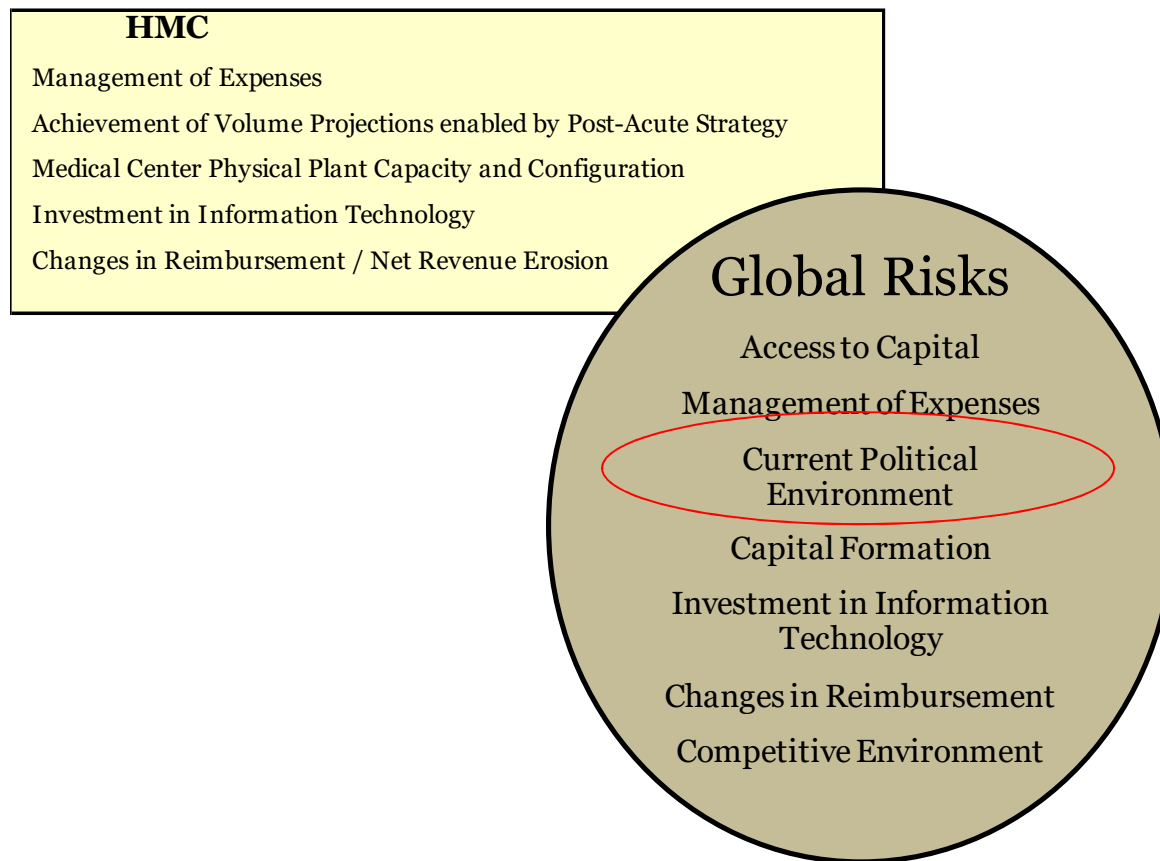
Plan ahead for fluctuations in this funding, specifically at academic medical centers



# RISK MAP

The financial plan is a projection based on the best information the organization has today. Risks to achieving the plan are shown below.

## LRFP RISKS UW MEDICINE





# Questions?