HARBORVIEW MEDICAL CENTER
FINANCIAL OVERVIEW

May 6, 2019
• 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 >75th percentile to the 50th 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?

We spend >$3M/day

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<tbody>
<tr>
<td>Total Margin</td>
<td>$17.0</td>
<td>$6.6</td>
<td>$10.1</td>
<td>$10.4</td>
<td>$10.6</td>
<td>$10.9</td>
<td>$11.2</td>
<td>$11.5</td>
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<tr>
<td>Total Margin %</td>
<td>1.8%</td>
<td>0.7%</td>
<td>1.0%</td>
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### HMC Days Cash on Hand

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<tr>
<th>FY16 Audit</th>
<th>FY17 Prelim</th>
<th>FY18 Budget</th>
<th>FY19</th>
<th>FY20</th>
<th>FY21</th>
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Moody’s Baa = 157.6

### HMC Total Margin

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Moody’s Baa = 3.4%
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
  - Physiatrists 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
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**

**HMC**
- Management of Expenses
- Achievement of Volume Projections enabled by Post-Acute Strategy
- Medical Center Physical Plant Capacity and Configuration
- Investment in Information Technology
- Changes in Reimbursement / Net Revenue Erosion

**Global Risks**
- Access to Capital
- Management of Expenses
- Current Political Environment
- Capital Formation
- Investment in Information Technology
- Changes in Reimbursement
- Competitive Environment
Questions?