UNIVERSITY OF VIRGINIA
BOARD OF VISITORS
MEETING OF THE
MEDICAL CENTER
OPERATING BOARD
FOR THE UNIVERSITY
OF VIRGINIA
TRANSITIONAL CARE HOSPITAL
JUNE 5, 2014
Committee Members:
Stephen P. Long, M.D., Co-Chair
Edward D. Miller, M.D., Co-Chair
William H. Goodwin Jr. Constance R. Kincheloe
Victoria D. Harker George Keith Martin
Andrew K. Hodson, MB.Ch.B Charles W. Moorman
Michael M.E. Johns, M.D. The Hon. Lewis F. Payne
William P. Kanto Jr., M.D.

Ex Officio Members:
Teresa A. Sullivan Patrick D. Hogan
Nancy E. Dunlap, M.D. R. Edward Howell
Dorrie K. Fontaine Richard P. Shannon, M.D.
Robert S. Gibson, M.D John D. Simon

AGENDA

I. OPENING REMARKS FROM THE CO-CHAIR

II. REMARKS FROM THE EXECUTIVE VICE PRESIDENT FOR HEALTH AFFAIRS

III. ACTION ITEM
• Fiscal Year 2015 Operating and Capital Budgets

IV. OPERATIONS AND FINANCE REPORT (Dr. Shannon to introduce Ms. Michelle D. Hereford; Ms. Hereford to report)

V. EXECUTIVE SESSION
• Discussion of proprietary, business-related information pertaining to the operations of the Transitional Care Hospital, where disclosure at this time would adversely affect the competitive position of the Transitional Care Hospital, specifically:
  - Confidential information and data related to the adequacy and quality of professional services,
patient safety in clinical care, and patient grievances for the purpose of improving patient care at the Transitional Care Hospital; and

- Consultation with legal counsel regarding the Transitional Care Hospital compliance with relevant federal reimbursement regulations, licensure, and accreditation standards; all of which will involve proprietary business information of the Transitional Care Hospital and evaluation of the performance of specific Transitional Care Hospital personnel.

The relevant exemptions to the Virginia Freedom of Information Act authorizing the discussion and consultation described above are provided for in Section 2.2-3711(A)(1), (7), and (22) of the Code of Virginia. The meeting of the Medical Center Operating Board is further privileged under Section 8.01-581.17 of the Code of Virginia.
UNIVERSITY OF VIRGINIA
BOARD OF VISITORS AGENDA ITEM SUMMARY

BOARD MEETING: June 5, 2014
COMMITTEE: Medical Center Operating Board
AGENDA ITEM: III. Fiscal Year 2015 Operating and Capital Budgets

BACKGROUND: The Transitional Care Hospital’s (TCH’s) operating and capital budgets are consolidated with the Medical Center’s overall budget. At its June meeting, the Board of Visitors acts on the proposed budget based on a recommendation from the Medical Center Operating Board.

DISCUSSION: The TCH’s 2015 fiscal plan has been developed while considering the challenge of continuing to provide a new patient care service in a new environment, developing a new workforce, and introducing teaching and training of clinical providers. The cost associated with providing quality patient care will continue to have upward pressure due to increases in medical supply, pharmaceutical, and medical equipment expenses, as well as a shortage of health care workers. For FY 2015, the TCH expects to continue its volume growth of this high acuity patient population. TCH continues to report increases in complex wound patients and bariatric patients and anticipates this growth will continue in FY 2015.

The TCH budget development process is clinically focused and highly participatory. Patient care service management, support function management, and physicians have significant roles in the budget development cycle. The budget process begins with senior management developing basic budget assumptions such as discharges, length of stay, payor mix, productivity standards which drive the number of employees, and inflation. This information is communicated to TCH managers and results in each operating unit providing a cumulative operating and capital budget that contains service demand forecasts, required full-time equivalent personnel, and non-labor expenses.
BUDGET AND OPERATING ASSUMPTIONS

Market Conditions: For FY 2015 discharges are budgeted to grow in excess of 27% from FY 2014 projected levels. The growth will be facilitated by increased registered nurse and hospitalist recruitment and additional referrals from outside facilities. The following table includes historical and projected patient volumes:

<table>
<thead>
<tr>
<th></th>
<th>Actual FY 2013</th>
<th>Projected FY 2014</th>
<th>Budget FY 2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Discharges</td>
<td>305</td>
<td>309</td>
<td>426</td>
</tr>
<tr>
<td>Average Length of Stay</td>
<td>26</td>
<td>31</td>
<td>29</td>
</tr>
<tr>
<td>Patient Days</td>
<td>8,389</td>
<td>9,557</td>
<td>12,346</td>
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</tbody>
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Revenues: The TCH’s FY 2015 budgeted payor mix reflects an increase in Medicaid cases from prior years. One of the TCH’s largest challenges is the unwillingness of government payors to increase payments commensurate with the increases in medical delivery costs, particularly with complex wound and bariatric patients. Growth in revenues will result from the impact of increasing volume and negotiated contracts with rate increases.

Rate Changes: The TCH Medicare proposed base rate for FY 2015 is $38,907 per case. With a Medicare case mix index (CMI) of 1.28, this will result in a total Medicare reimbursement rate of $49,800 per case. The Centers for Medicare & Medicaid Services (CMS) project that the Long-Term Care Hospital Prospective Payment System (LTCH PPS) payments will increase by 0.08% in FY 2015.

Expenses: Expenses per discharge from operations are projected to decrease 15% from the FY 2014 projection. This decrease is attributed to an increase in volume that positively affects the TCH’s fixed overhead expenses.

Staffing: The TCH’s paid full-time equivalents (FTEs) are planned to be 142, an increase of 15 FTEs from staffing at the current fiscal year projection of 126 FTEs.

Operating Plan: The rapidly changing health care environment will require continuous examination of budget assumptions. Management will monitor budget versus actual performance on a monthly basis and, where appropriate, make changes to operations. Also, management will continue to identify and
implement process improvement strategies that will allow for operational streamlining and cost efficiencies.

The major strategic initiatives that impact next year's fiscal plan include:

- The continuation of the collaborative effort between the TCH and the School of Medicine faculty on documentation of clinical care and its coding.
- The continuation of the collaborative effort between the TCH and the School of Medicine faculty on the recruitment of clinical staff.
- The continuation of efforts to better engage our employees and enhance patient satisfaction.
- The continuation of the collaborative effort between the TCH and the Medical Center to reduce length of stay.
- The effort to enhance care delivery and integrate information technology services through the Electronic Medical Record project.

The major risk factors that impact the ability to accomplish the fiscal plan include:

- Nationwide shortages of health care workers that could negatively impact our ability to maintain appropriate staffing.
- Maintaining an adequate number of physicians in areas experiencing a national shortage.
- Advances in medical technology that could alter expenses and/or revenues very quickly.
- The emerging impact of the Patient Protection and Affordable Care Act and the Health Care and Education Reconciliation Act of 2010.
- Inflation for medical equipment and pharmaceutical goods that could exceed the budget assumptions.
- An increase in commercial payors denying LTACH authorization based upon stricter criteria for admissions.
A summary of TCH projected financial operating results is provided as follows:

(Millions) | Projected FY14 | Budget FY15 |
---|---|---|
Total Operating Revenue | $18.1 | $21.9 |
Operating Expense | 17.7 | 20.8 |
Operating Income/(Loss) | 0.4 | 1.1 |
Total Margin | 2.3% | 5.0% |

Capital Plan: Funds available to meet capital requirements are derived from operating cash flows, funded depreciation reserves, philanthropy, and interest income. The TCH faces many challenges regarding capital funding as continued pressures on the operating margin affect cash flow, while demand for capital will increase significantly due to the need to expand. Subject to funds availability, the TCH management recommends $66,500 be authorized for capital requirements.

ACTION REQUIRED: Approval by the Medical Center Operating Board, by the Finance Committee, and by the Board of Visitors

RESOLVED, the 2014-2015 Operating and Capital Budgets for the University of Virginia Transitional Care Hospital, presented as a component of the Medical Center Operating Budget, is approved as recommended by the President, the Chief Operating Officer, and the Medical Center Operating Board.
UNIVERSITY OF VIRGINIA
BOARD OF VISITORS AGENDA ITEM SUMMARY

BOARD MEETING: June 5, 2014

COMMITTEE: Medical Center Operating Board

AGENDA ITEM: IV. Operations and Finance Report

ACTION REQUIRED: None

BACKGROUND: The TCH prepares a periodic report, including write-offs of bad debt and indigent care, and reviews it with Executive Leadership before submitting the report to the MCOB. In addition, the TCH provides an update of significant operations of the hospital occurring since the last MCOB meeting.

Michelle Hereford joined the University of Virginia Health System in 2009. As Chief of the Transitional Care Hospital, she oversees all operations of this long term acute care facility. Ms. Hereford has a Bachelor’s degree in Nursing and a Master’s degree in Health Administration from Virginia Commonwealth University. She has over 20 years of health care experience serving in a broad range of roles.

FINANCE REPORT

TCH ended the period of July 1, 2013 through March 31, 2014 with an operating income gain of $300,556, compared to the budgeted operating income figure of $968,842. During this same period, inpatient discharges were 232 compared to the budget of 297. Average length of stay was 30.72 days, which is 2.66 days more than the budget of 28.06. The All Payor Long Term Acute Care Hospital CMI of 1.28 was higher than the budget of 1.25. Total FTEs were 118, below the budget of 136 FTEs.

TCH did not meet the budgeted net operating gain of $968,842 due to volumes. TCH’s budget reflects an average daily census of 30 compared to an actual census of 26.

OPERATIONS REPORT

For the period from July 1, 2013 through March 31, 2014, TCH received 713 referrals, resulting in 235 admissions. Of those admissions, 175 (74%) were from the University of Virginia Medical Center. The 175 Medical Center admissions represent
5,530 patient days or approximately 20.2 Medical Center beds per day which would not have been available without the TCH. This has an estimated impact of 0.26 days on the Medical Center’s length of stay.

Clinical Operations

Respiratory Services

This service, led by Pulmonary Medical Director, Sharon Esau, M.D., and managed by a registered respiratory therapist, Jeanne Bird, continues to exceed expectations in weaning patients from ventilators. From February 1, 2013 to April 30, 2014, there were 578 ventilator days recorded. Twenty-nine (29) patients were admitted for vent weaning/teaching, 82.8% of whom achieved that goal versus the benchmark of 60.1%.

In addition, the department continues to progress with the development of an internally-created tracheostomy training device. Members of the Respiratory Care Department have been invited to share their experiences and findings as presenting lecturers at the state and national levels of the American Association for Respiratory Care.

Wound Management

This service is led by the Wound Care Medical Director, David Drake, M.D., and managed by an experienced Wound, Ostomy & Continence Nurse Practitioner, Tara Beuscher. This leadership has helped to transition the program from primarily specialist-based care to skilled care with specialist guidance. As a result, the TCH has expanded the services offered in our community by providing an increasing amount of complex wound care.

Approximately 32% of our patients are admitted for complex wound care needs and as many as 90% of our patients have skin issues. The care of patients with wounds crosses all professional boundaries and much work has been done as a result of our intra-professional patient care culture.

In response to the above, TCH offered the Wound Treatment Associate (WTA) program beginning January 4 and concluding on April 18, 2014. This online course, developed by the Wound, Ostomy and Continence Nurses Society, offers 21 continuing education credits for nurses, physical therapists and occupational therapists. The American Association of Respiratory Care (AARC) has approved this course for 15
Continuing Respiratory Care credits for RTs. In addition, the WTA program has been approved for one 300 level college credit for Registered Nurses. Nineteen employees enrolled and successfully passed this course. A second group is scheduled to begin in August 2014.

Rehabilitation Services

This service is led by a doctorally-prepared Physical Therapist, Thomas Nichols. The Physical Therapy, Occupational Therapy, and Speech Language Pathology programs continue to serve our population well and contribute to patient satisfaction as well as to clinical status improvement. These therapy services continue to be in high demand as a result of acuity levels and complicating factors, including a high proportion of morbidly obese and/or debilitated patients in need of rehabilitation therapy. TCH has developed a rehabilitative services outcomes measurement tool. The tool was implemented July 1, 2013 and preliminary results indicate we are able to quantify the functional improvement patients achieve as a result of the therapy services provided. In addition, the development and outcomes associated with the use of this tool were displayed at the National Association of Long Term Hospitals annual meeting on May 1-2, 2014. The submission received honorable mention.

Care Management Report

TCH has combined the Case Management program with the Clinical Liaison program to establish a Department of Care Management. This partnership strengthens communication, knowledge, and collaboration throughout the process from admission selection through discharge.

Clinical Liaison

New patient referrals for the period from July 1, 2013 through March 31, 2014, continued to grow and totaled 713. Of the 713 patients referred, 235 patients were admitted, for a conversion rate of 33%. Of the 478 referrals that were not admitted to TCH, 55% did not meet LTACH criteria, 25% chose another facility, and the remaining 20% were due to payor denials and plan of care changes (i.e., patient discharged to another level of care or expired).
Case Management

Length of stay is primarily driven by the patient’s clinical condition and guided by the use of McKesson’s Long Term Acute Care Hospital Interqual Criteria. The goal is to manage a patient’s stay and plan for safe discharge to an appropriate level of care on or within the target Diagnostic Related Group (DRG).

As of March 31, 2014, the average Medicare length of stay for FY 2014 was 32.52 days, and the length of stay for all payors was 30.72 days.

Factors resulting in an extended length of stay are clinical conditions that are too complex to manage safely at a lower level of care, time delays associated with coordination of services from other providers, and the lack of community resources, specifically skilled nursing facilities.

Human Resources

TCH is currently staffed with 126 FTEs. As TCH continues to grow and develop, it is imperative that TCH continue to recruit and retain a highly skilled, highly engaged, and diverse workforce.

Recruitment and Retention

For the period from February 1, 2014 through April 30, 2014, TCH successfully recruited eight permanent employees. These included three Registered Nurses, four Patient Care Assistants, and a Registered Respiratory Therapist. During the same period, TCH reported a rolling turnover rate of 19.3%. Several initiatives are being implemented to address turnover.

Employee Engagement

In June 2013, the UVA Health System completed an employee engagement survey administered by Gallup. The Gallup Healthcare Database includes responses from more than 1.4 million employees in 110,000 workgroups who have taken the survey during the last three years.

Eighty-six percent (86%) of TCH employees participated in the survey. The survey items required a response from one to five. The average, on a five-point scale, resulted in the Grand Mean. The TCH Grand Mean of 4.11 placed it in the 49th percentile.
The TCH employee-led Engagement Committee reviewed the detailed survey results and developed a hospital specific action plan ("Impact Plan"). Several actions were implemented to include engaging directly with employees in a series of mini retreats, improving communication, and standardizing the language used within the organization. The committee is looking forward to upcoming annual Gallup Engagement Survey to be administered May 21 through June 4, 2014.

To address retention and further enhance engagement, TCH implemented a focused professional development education program during the second quarter of FY 2013. This education program, titled "Top 5", is based on the input of all employees and is refreshed each quarter to encourage employees to contribute to a quarterly selection of five educational offerings.

**Quality and Performance Improvement**

**Quality Planning**

TCH met or exceeded quality targets in 11 out of 13 metrics for the period from February 1, 2014 through April 30, 2014. TCH monitors clinical outcomes and performance using external and internal benchmarking. Interdisciplinary committees and teams work together to develop and implement improvement strategies when needed and evidenced per our Quality Dashboard. Eliminating preventable harm and improving care outcomes and efficiency are priority focus areas this year.

**Patient Satisfaction**

Patient Satisfaction Survey response rates remain low due to the high percentage of patients who discharge to locations other than home. TCH continues to meet with every admitted patient and discuss the importance of receiving feedback during their stay and after discharge. Of those that have responded, TCH met its targets and received many positive comments.

**Community Outreach**

The TCH Volunteer Program continues to grow in numbers and strength. Many of the Madison House Volunteers signed up to volunteer at the TCH for a second year. It is known as a fulfilling place to assist patients, families, and staff. Community members continue to support our Hallway Musician Program and the development of our "Distraction Blanket";
provide craft materials, welcoming pillowcases and shawls/lap blankets; and contribute to our "flower" program. All are very much appreciated by the TCH.

External Benchmarking

The TCH continues to meet the standards set forth by Centers for Medicare and Medicaid Services Long Term (Acute) Care's Hospital Quality Reporting Program. This program is currently in its second year and benchmarking data is not yet available. We anticipate it will be made available in the third year.

Accreditation

As a fully accredited hospital of The Joint Commission, TCH continues to focus on maintaining that accreditation status through "constant readiness" educational sessions and routine hospital environment safety rounds. An external consultant spent three (3) days on-site performing an assessment of our state of readiness and overall provision of care, treatment and services, and environment of care. TCH anticipates the Joint Commission unannounced triennial re-accreditation survey will occur between now and June 2014.