

The Health Care LEADER



A GOVERNANCE NEWSLETTER FOR MINNESOTA HEALTH CARE TRUSTEES

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Magnan invited to discuss health care priorities at MHA Summer Trustee Conference

***MDH commissioner to cover how health leaders can work
with state to help improve Minnesotans' health***

The Minnesota Department of Health (MDH) commissioner has been invited to discuss how health care leaders can work with MDH to improve Minnesotans' health during the Minnesota Hospital Association Summer Trustee Conference.

Dr. Sanne Magnan will also discuss state health care priorities on July 10 at the annual gathering. The conference lasts parts of three days, from July 10-12, at Arrowwood Resort and Conference Center in Alexandria.

“Although Minnesota continues to place at the top of U.S. health rankings, the state faces challenges including skyrocketing costs, health disparities, inequitable care and reimbursement,” materials from the commissioner’s office say. “It is imperative that hospital board members and leadership teams understand the current situation in order to find ways to retain Minnesota’s position as a leader of U.S. health care.”

For more information, visit www.mnhospitals.org; click on “Events” and log-in to register.

Back by popular demand: Well-received speakers to present at MHA Summer Trustee Conference

Ron Galloway, Maureen Swan to address attendees

The Minnesota Hospital Association (MHA) Summer Trustee Conference will include presentations by Ron Galloway and Maureen Swan, well-received speakers from past MHA conferences.

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Galloway received rave reviews for “Wal-Mart and the Future of Health Care,” his presentation at this year’s MHA Healthcare Executives’ Institute. Several CEOs asked that he be brought back to share his presentation with trustees.

During that presentation, Galloway discussed Wal-Mart’s designs on leveraging its 3,700 stores into the largest force in American health care by opening 2,000 health care clinics in the next five years. Galloway provided insights into how Wal-Mart’s plan would affect hospitals’ work forces, facilities and communities.

In a second presentation this summer, “Trends in Electronic Medical Records — Where Are We?” Galloway will highlight trends that are converging to dramatically affect electronic medical records. He will provide a view on the future direction and information on why trustees need to know and understand the importance, cost, benefits and implications of implementation.

Maureen Swan, another popular presenter at MHA conferences, will return with “How Do I Keep Patients in Town?” The address will highlight what types of community members leave rural communities for care and why. She will provide strategies for small hospitals for keeping those patients local.

Blackmer named MHA Trustee of the Year

Bigfork Valley Hospital board chair wins trustee award

Each year, the Minnesota Hospital Association (MHA) honors a hospital or health system board member who has dedicated countless hours and skills to the preservation of health care, via its Trustee of the Year Award. This year’s winner is Gail Blackmer, board chair at Bigfork Valley Hospital.

As chair, Blackmer led the hospital in a major building project, expanded services and brought a new sense of community responsibility to the hospital, all while overseeing double-digit growth in gross revenues each year of her chairmanship.

“During her 24-year tenure as a board member, she has proven herself an outstanding leader, creating a progressive atmosphere which has allowed Bigfork Valley to develop and offer an unusual number of services for a small rural community,” Bigfork materials said. “Under Blackmer’s leadership, this has been done without losing sight of the outreach and basic services so important to a remote rural area.”

Trustees encouraged to participate in Minnesota Hospital PAC

Now more than ever is the time to have a robust Minnesota Hospital Political Action Committee (PAC). The state Legislature is currently considering hospital cuts that could dramatically affect the services Minnesota hospitals are able to deliver. At the same time, Congress plans to address health care reform by this fall.

The PAC is one of hospitals’ most powerful advocacy tools. It sends a powerful message of unity and helps ensure hospitals’ issues and concerns are heard at the state and federal level.

The Minnesota Hospital PAC’s overall 2009 goal is \$95,000. Trustees are encouraged to participate at any dollar level. Each and every donor’s name will be listed in the annual PAC report and will count toward each hospital’s individual, annual PAC goal.

Those who contribute at a “club” level — which is \$350 for Capitol Club, \$500 for Chairman’s Circle, or \$1,000 for the Ben Franklin Club — will receive additional recognition in American Hospital Association and Minnesota Hospital Association materials.

To contribute, visit www.minnesotahospitalpac.org and print off a contribution form under “How Can I Give.” Or, call Carol Eshelman, MHA PAC coordinator, at (651) 603-3539 or ceshelman@mnhospitals.org.

For more information, contact Ann Gibson, MHA federal relations director, at (651) 603-3527 or anngibson@mnhospital.org; or Mary Krinkie, MHA vice president of government relations, at (651) 659-1465 or mkrinkie@mnhospitals.org.

Navigating through change

The board's role in difficult economic times

It's not hard to find evidence of the mounting economic problems faced by hospitals today. Articles and stories appear daily in newspapers and magazines, on the Web, TV and radio. Board members will be challenged to stay current with, and respond to the economy's downturn and how it affects their hospitals.

Hospital boards have always faced financial challenges, but today's economic recession will test the strength of a board's leadership in ways that other challenges may not. The National Bureau of Economic Research has set the start of the current recession at December 2007, and others are projecting that the current recession will be the longest since the Second World War.¹ Its effects are global and recovery is not yet in sight. The list of impacts on hospitals as a result of the economic crisis is growing longer and more critical as the recession wears on. With it grows the importance of board leadership and response to the crisis.

The financial impact on hospitals

From borrowing money to charitable donations to changes in payer mix and patient demands, the recession has far-reaching implications on hospitals. The list below highlights many of the trends hospital boards should consider as they prepare for the current and future impact on their organizations.

Interest rates on debt. The American Hospital Association (AHA) released the "Report on the Economic Crisis: Initial Impact on Hospitals" in November 2008.³ The AHA survey found that interest expenses have increased by 15 percent when compared to the same period a year ago (third quarter 2007 vs. third quarter 2008).

There is a shortage of capital. Capital is no longer readily available for financing equipment purchases or for facility expansions and improvements. The AHA survey also captured responses to seven different measures of credit availability. Thirty-three percent of hospitals surveyed reported increased interest on variable rate bonds. Between 10 and 12 percent of hospitals surveyed reported increased collateral requirements, an inability to issue bonds, difficulty making refinancing auction rate debt and an inability to roll over or renew credit.³

Credit ratings are being downgraded. In November 2008, Moody's Investors Service revised their "stable" outlook for not-for-profit hospitals to "negative." The change in ratings outlook was based on the decline in the number of elective surgeries, coupled with the increased cost-shift to patients who are having trouble meeting their hospital payments.⁴ A similar change in outlook on investor-owned hospitals followed immediately.⁵ On Dec. 2, 2008 Fitch Ratings also revised their outlook from "stable" to "negative," citing investment losses, increasing uncompensated care and higher capital costs.¹¹

Board members should pay special attention to the advice given by Lisa Goldstein, Moody's senior vice president. Goldstein advised that "sound management decisions about operating costs and capital investments, coupled with skilled oversight and direction from hospital boards, will be of special importance."⁴ Maintaining a strong credit rating should be a priority on board agendas, because a drop in a hospital's credit rating would have far reaching effects on the hospital's plans and abilities to achieve its goals.

Investment income is down. According to the AHA survey, \$396.1 million in non-operating revenues in the third quarter of 2007 dropped to a \$831.5 million loss in the third quarter of 2008.³

Unemployment and the number of uninsured are increasing. The Kaiser Commission on Medicaid and the Uninsured released a study in April 2008 indicating that each percentage rise in unemployment results in a 1.1 million person increase in the number of uninsured, along with a corresponding increase of 1 million in Medicaid and SCHIP enrollments.⁷ The AHA reports that each percentage increase in unemployment results in a loss of employer sponsored coverage for 2.5 million individuals (employees and their dependents).³ Overall, unemployment has increased 1.7 percent over the year.

Predictably, hospitals are heavily impacted. In the AHA survey, 31 percent of hospitals reported a moderate increase in uncompensated care as a percent of total revenues, and 20 percent reported a significant increase. Twenty-seven percent reported moderate increases

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in subsidized service needs, while 10 percent reported significant increases.³

Employers are reducing health benefit coverage. Like hospitals, employers are trying to manage their costs and financial stability. The average rate of increase for employer health insurance plans is expected to be 6 to 7 percent in 2009. Many employers do not offer sponsored health benefit plans for their employees. Retiree medical plans are being dropped by many employers. Those employers that do offer plans have managed their costs by shifting some of the cost responsibility to employees. Overall, employee responsibility for health care costs (premium contributions for themselves and dependents and out-of-pocket costs for deductibles, co-insurance and co-payments) is projected to increase 8.9 percent in 2009.^{9,10}

Government budget cuts are further damaging hospitals' financial health. State and federal budget shortfalls threaten Medicaid and Medicare programs. Medicaid enrollment has been increasing since 2007 while state tax revenues are falling.³ The fact that Medicare and Medicaid programs provide coverage for 55 percent of hospital patients underscores even further the concerns for hospitals if more cuts are implemented.⁶

Admissions and elective procedures are declining. At a time when hospitals need to maintain revenue in order to offset losses from other sources, a corresponding decline in admissions and elective procedures is occurring. The AHA reports that almost one-third of hospitals are experiencing a moderate to significant decline in elective procedures, and almost four in ten are seeing a decline in admissions.³

The economic downturn is impacting giving. Two schools of thought are emerging in regards to charitable giving during this recession. One is that giving may be down as donors face their own economic struggles and are unable to give, or give as generously as in the past. The second is that donors, recognizing community needs, will give more. Both are likely to be true. With declining revenues, investment losses and concerns about capital, charitable giving becomes a critical factor in bridging the

gap to meet community needs. Trustees are a liaison between the community and the hospital, a position where dedicated participation, understanding of the issues and a clear plan of action is critical for ensuring a successful philanthropic program.

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Minnesota hospital leaders visit congressional members during AHA's annual meeting

Five Minnesota congressional members agree to oppose planned cuts to teaching hospitals

Minnesota hospital leaders, auxiliaries and Minnesota Hospital Association (MHA) staff members advocated on behalf of Minnesota hospitals last month in Washington D.C. Face-to-face visits with Minnesota's entire congressional delegation were among the activities that occurred as part of the American Hospital Association's annual meeting.

A total of 29 Minnesotans traveled to the Capitol for the event, which helps keep hospital issues at the forefront in the nation's health care debate, MHA President and CEO Lawrence Massa said.

"This opportunity is important because it allows our congressional leaders to hear first-hand the challenges hospitals face," Massa said. "The meetings reinforce our credibility and strong relationships with our national policy-makers."

During the Hill visits, attendees told our representatives and Sen. Amy Klobuchar about the effect the economic crisis is having on Minnesota hospitals. The group also discussed health care reform, and they voiced their concerns about Medicaid funding allocated by the federal stimulus law that is being targeted for non-health care spending in Minnesota.

The contingent also asked our delegation to sign a congressional letter to the Centers for Medicare and Medicaid Services urging the agency not to make scheduled payment cuts to teaching hospitals. Klobuchar and Reps. Keith Ellison, Betty McCollum, Jim Oberstar and Tim Walz, all Democrats, agreed to sign the letter.

Annual meeting activity

MHA members also attended various AHA annual meeting presentations. Addresses were given by Nancy-Ann DeParle, director of the White House Office of Health Reform; Rep. Earl Pomeroy (D-N.D.), member of the House Ways and Means Committee; Rep. Eric Cantor (R-Va.), House Republican Whip; David Ploufee, President Obama's former campaign manager; and others.

MHA participants in the trip to Washington included member hospital and system CEOs, medical directors, trustees and government relations and public policy personnel.

For more information contact Ann Gibson, MHA federal relations director, at (651) 603-3527.

Massa speaks on YouTube from AHA Annual Meeting

MHA president calls for support for hospitals

Minnesota Hospital Association President Lawrence Massa appealed for support for hospitals on YouTube last month while at the American Hospital Association Annual Meeting.

View his address www.youtube.com/watch?v=EFRjK9_G_AI.

Massa called for more health care coverage for the uninsured, especially in light of the serious financial condition hospitals are facing due to the recession.

To view other hospital leaders' YouTube messages delivered during the meeting, visit www.youtube.com/ahaannualmeeting or www.aha.org/economy.

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Mark Your Calendar

MHA Annual Meeting scheduled for Sept. 16 – 18

A continued Minnesota health care tradition is our thought-provoking and informative Annual Meeting. If you haven't already marked your calendar, we hope you will plan to join us Sept. 16 – 18 for an invaluable series of presentations and opportunities to connect with your peers.

This year's Annual Meeting offers compelling content and a chance to focus your attention on the future. Returning back, by popular demand, is economist and futurist, Dr. Lowell Catlett, who believes that the next decade will be successful beyond any in history. A few additional highlights also include Paul Begala, political consultant and CNN commentator; Dr. Ian Morrison, futurist, author and consultant; Dr. Jeff Goldsmith, president of Health Futures, Inc., and our closing presentation by everyone's favorite game show host, Bob Eubanks — and that's only part of the line-up.

Whether you're a veteran CEO, someone new to hospital leadership in Minnesota, or a member of your hospital's senior management team, you will want to join us. More than ever, the Annual Meeting focuses on your concerns and issues. Extraordinary, forward-thinking speakers will address the issues you will face in the years ahead and provide you with "*Strength Through Strategy.*"

Trustees attending the conference will be eligible for education credit through MHA's board certification program.

MHA's Annual Meeting will be held at Madden's on Gull Lake in Brainerd, Minn. Look for a complete schedule and registration information on MHA's Web site after June 1.