

KEY FACTS ABOUT Lee Memorial Health System

LEE MEMORIAL
HEALTH SYSTEM

The health system provides high quality, leading-edge health care for residents of Southwest Florida

Since its founding in 1916, Lee Memorial Health System (LMHS) has become the leading safety net organization for residents of Southwest Florida. It provides complex programs and services considered vital to the community, including Golisano Children's Hospital of Southwest Florida and the Level II Regional Trauma Center at Lee Memorial Hospital, both providing lifesaving care to the five-county region of Charlotte, Collier, Glades, Henry and Lee counties. Serving more than 1 million patients a year, LMHS is the nation's largest public hospital/health system to operate without local tax support. Because it doesn't levy taxes or receive direct tax support from any local government entities, it depends on its own revenues to cover day-to-day operations and long-term system improvements. Achieving profitability is critical to ensuring that LMHS can provide high-quality healthcare services to this fast-growing region, now and in the future.

LMHS is a model public hospital that is transparent and accountable

- LMHS is a nationally recognized public hospital/health system that operates with full transparency and accountability.
- It is governed by a 10-member, publicly elected board that meets regularly to set goals and objectives for the system and monitor the work of the administration.
- Its meetings are properly noticed as required by the state's Government in the Sunshine laws, and all agendas and materials are posted online. Financial documents are public records available to anyone.
- Lee Memorial Hospital and HealthPark Medical Center received the Healthgrades America's 50 Best Hospitals Award in 2014 and 2015, a distinction that places them in the top 1 percent of hospitals nationwide.
- In 2015, Cape Coral Hospital received a prestigious Governor's Sterling Award for Florida businesses and organizations that achieve excellence in management and operations.

LMHS welcomes state review

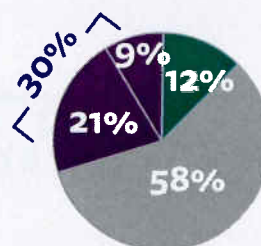
- LMHS welcomes public review of its finances and operations, which are independently audited.
- LMHS has cooperated fully with Gov. Rick Scott's Commission on Healthcare and Hospital Funding and has submitted all the information and documents requested.
- It appears that the Governor's commission will issue recommendations for the Legislature to consider during the upcoming 2016 legislative session.

- LMHS will analyze any commission recommendations and is committed to briefing Senate and House members from Southwest Florida, along with other elected officials, on how the recommendations would impact LMHS's operations and finances and the delivery of healthcare services to residents.
- LMHS, along with Florida's other public hospitals, was thoroughly scrutinized by a similar state commission in 2011 and found to be a model public hospital for Florida.

LMHS is a strong partner in paying for Medicaid

- In Florida, federal and state governments share the cost of providing health care to the poor, with the federal government covering about 58 percent of Medicaid and the state covering about 42 percent. However, in recent years, public hospitals and local communities increasingly have been called upon to use their own revenues or local tax dollars to pay for hospital Medicaid reimbursements, while the state has reduced its funding support. Last year, LMHS contributed two and a half times the amount of money the state contributed to pay for LMHS's Medicaid reimbursements.

2014 Medicaid funding received by LMHS



- \$105 Million (58%) from federal government
- \$54.5 Million (30%) from LMHS
- \$16 Million (9%) for hospital tax (PMATF)
- \$38.5 Million (21%) for local match (IGT)
- \$21.5 Million (12%) from the state

TOTAL \$181 Million

Key Facts about Lee Memorial Health System — *continued*

Southwest Florida's economic and demographic challenges impact LMHS's earnings

- LMHS is committed to providing world-class patient care, regardless of a patient's ability to pay.
- The system strives to achieve this in a region that has struggled in recent years with high unemployment, poverty and above-average uninsured rates. Its large elderly population creates higher demand for medical services.
- Southwest Florida is heavily dependent on government funding due to the large volumes of Medicare and Medicaid patients, high levels of uninsured and limited employers offering private health coverage. Many people have jobs but drastically limited health insurance or none at all.
- This regional demographic significantly influences LMHS's payer mix. Only about 20 percent of hospitalized patients are covered by commercial insurance, and 70 percent are insured through Medicare or Medicaid, which reimburse hospitals below the true cost of care. About 10 percent of patients are uninsured or underinsured.
- Against this backdrop, LMHS provided almost \$51 million in unreimbursed Medicaid care and an additional \$46 million in charity care in 2014.

LMHS's earnings are directly reinvested to meet Southwest Florida's healthcare needs

- Unlike for-profit hospitals, which send profits to shareholders and corporate headquarters outside of Florida, LMHS's earnings are totally reinvested to serve the community.
- LMHS invests more than \$80 million a year in capital improvements necessary to renovate aging facilities and upgrade technology.
- LMHS has identified more than \$1 billion in capital improvements needed over the next decade to meet the health needs of rapidly growing Southwest Florida. That includes a 275-bed expansion at Gulf Coast Medical Center, the construction of the new Golisano

Children's Hospital, the development of an innovative new outpatient medical campus in south Lee County, and a recently opened outpatient facility in Cape Coral.

- The community's pressing need for more hospital beds became clear last winter, when the seasonal population surge filled inpatient hospital rooms to capacity, forcing some patients to be treated in hallways.
- LMHS has proposed building a new hospital in south Lee County to help accommodate the area's growth and health needs but was rejected by the state and told to expand existing facilities instead.

LMHS has achieved modest operating margins in recent years

- Between 2009 and 2013, LMHS's annual operating margin averaged 2.7 percent. In 2012, it dipped to 1.4 percent.
- In 2014, LMHS's operating margin was 7.4 percent, its highest in six years due to a surge in new patients resulting from population growth and the positive impact of the system's ongoing cost-cutting and efficiency initiatives. Standardizing operations and eliminating waste have helped reduce costs per admitted patient to \$6,581 from \$6,838.
- While LMHS applauds the Florida Legislature's recent decision to inject \$400 million in recurring state general revenue to replace the loss of federal Low Income Pool (LIP) dollars and boost Medicaid reimbursement rates to hospitals, it remains concerned about future reductions in LIP funding, estimated at another \$400 million in the 2016-17 budget year.
- The net result is that over two years, LIP support for hospitals will be cut by \$1.5 billion. This LIP support has been crucial to LMHS's safety net mission and has helped the system to maintain positive annual operating margins.
- Any declines in annual operating margins directly impact LMHS's ability to keep up with population growth while investing in equipment, facilities and programs to serve the community's healthcare needs.

LEE MEMORIAL HEALTH SYSTEM

2016 Legislative Priorities Lee Memorial Health System

Extension of Health Coverage

While the state Legislature failed to approve the extension of healthcare for low income uninsured during the 2014 and 2015 Sessions, we continue to urge agreement and implementation of a solution that will utilize federal funds available for this purpose. Revenues are being drained from Floridians to cover these costs and we need to acknowledge that we are now paying for this care, whether we allow it to be delivered or not. We owe it to all Floridians to utilize these federal funds.

Southwest Florida has one of the highest rates of uninsured in the state. At 27%, we are second only to Miami-Dade County. Only one in five patients admitted to Lee Memorial Health System hospitals has commercial insurance now, and those patients and their employers receive the full burden of the “hidden tax,” shifting the unpaid costs of Medicaid, Medicare, and uninsured to them. This tax burden will be compounded if the state does not extend health care coverage.

The Centers for Medicare and Medicaid have indicated a willingness to consider innovative expansion plans and stakeholders in Florida have embraced the challenge to develop a potential solution that would use local dollars to support statewide Medicaid expansion when the full federal financing for the expansion population expires at the beginning of 2017.

LMHS supports extension of healthcare coverage in Florida to draw down roughly \$51 billion in federal funds over the next ten years. In addition to providing nearly one million Floridians health insurance, a recent University of Florida study estimates that 121,000 jobs will be created in the next decade, including 10,000 in our community, as a result of extending health insurance coverage. The Florida Hospital Association has analyzed state estimates showing that folding existing state programs (Medically Needy, Substance Abuse and Mental Health, and the HIV/AIDS Program) into a Florida model for extended coverage would save Florida roughly \$2.5 billion over a ten year period.

Medicaid Funding

We support fully funding hospital services reimbursed by Medicaid, including the Medically Needy and Aged/Disabled programs. Our shortfall in reimbursement for FY 2014 was \$51 million. Changing from a fee for service to a Diagnosis-Related Group (DRG) methodology has further reduced reimbursement, and last year's transition to statewide managed care reduced it even more. We applaud the legislature's increase for the DRG base rate, Outliers rates and Trauma add on last year and continue to support efforts to increase Medicaid reimbursements and oppose further reductions to Medicaid reimbursement rates. LMHS also supports transparency, increased accountability, and improved efficiency in managed care and implementation of the Medicaid Reform Waiver.

Transportation Disadvantaged Medicaid Services

In 2011 the Legislature passed an overhaul of the Medicaid program in Florida requiring the vast majority of Medicaid recipients to join managed care organizations for delivery of healthcare services including transportation for medical appointments, pharmaceutical visits, and other related services. The Legislature exempted certain populations from mandatory enrollment in MMA including individuals with developmental disabilities, and children receiving services in prescribed pediatric extended care centers (PPEC) among other groups. The resulting reductions in reimbursement for PPEC transport to our local provider Good Wheels have put the entire service now at risk. Please keep this state funded service viable for these most vulnerable children. The need for eligible medical transport far exceeds available funding. Even the highest priority patients needing dialysis or cancer treatment exceed available resources.

Although the Legislature passed a \$2 million increase for unmet need last Session, it was ultimately vetoed. LMHS supports an increase in statewide funding and rates for both the MMA and exempted Medicaid population to ensure appropriate access to transportation services for Florida's most vulnerable populations.

Low Income Pool

LMHS is a significant partner in paying for its own Medicaid reimbursements. Of the \$181 million in total Medicaid funding that LMHS received in 2014, 58 percent (\$105 million) was funded by the federal government, 30 percent (\$54.5 million) was funded by LMHS itself (through hospital taxes imposed by the state and local revenues the system sends to Tallahassee to draw down the federal match known as Intergovernmental Transfers or IGTs), and only 12 percent (\$21.5 million) was funded by state government. IGTs benefit all qualifying hospitals regardless of whether local public funds are contributed on their behalf. Mechanisms to be defined under managed care must continue to recognize and fund those hospitals that are providing significant services at a loss for Medicaid patients.

State lawmakers scrambled to replace roughly \$1 billion in lost federal funds to the Low Income Pool program during Special Session A this summer after CMS announced the reduced funding level. The reduction of federal LIP from \$2 to \$1 billion required lawmakers to dedicate \$400 million in general revenue to help offset substantial losses to community, safety net, and teaching hospitals, which provide the significant share of healthcare services for the under and uninsured in Florida. The Legislature offset the loss of federal dollars with state general revenue including increases to Medicaid rates that helped to make hospitals whole when combined with the remaining \$1 billion LIP program for FY 2015-16.

Given the likelihood of further reductions in federal funding for the state's LIP program, the Legislature will have to revisit this issue next Session in an effort to solve the continuing problem of a lack of healthcare coverage for low income individuals in Florida.

Trauma Funding and Regulation

Support legislation that maintains current funding or provides new sources for trauma centers. Our state-designated regional Level II Trauma District serves five counties. There is no local tax support now. We received verification status last year that confirmed our center complies with the standards consistently without exception. There is no higher compliment. We are certified for the next 6 years.

Recently, the Department of Health (DOH) has begun rule workshops for the purpose of hearing from trauma professionals, hospitals, and communities to develop a trauma system that is inclusive, sustainable, and integrated for safe, effective, and efficient care of injured patients in Florida. While LMHS generally supports these efforts, concerns exist over perceived less stringent standards being contemplated in the proposed American College of Surgeons 'Orange Book' compared to certain current Florida trauma standards. It is our hope DOH will incorporate the suggestions of stakeholders to collaboratively work with providers to improve Florida's trauma system through the rulemaking process. We recommend DOH also engage the Florida Committee on Trauma, Association of Florida Trauma Coordinators and Association of Florida Trauma Program Managers to provide ongoing input from clinical professionals on such rules and standards. Also the American Council of Surgeons (ACS) recommended to DOH that it reconvene and work with the Florida Trauma System Advisory Council for ongoing collaboration for the best regulatory results. This has not happened since the ACS recommendations..

Telemedicine/Telehealth

We support the use of new technologies including telemedicine for improved patient care.

Governor's Hospital Commission

LMHS has responded to requests from the Governor's Commission and will continue to cooperate. When the final recommendations are available, we will analyze and brief delegation members on the impact to LMHS' operations and finances, and the delivery of healthcare services to residents of the region.

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