

# Harborview Medical Center



FINANCE COMMITTEE

October 2022

# Hospital Services Agreement

## 6.4 - Commitment to Coordination

**6.4.4. Extraordinary Circumstances.** Under extraordinary circumstances, the Board may submit a request to the County Executive and the County Council to suspend some or all of an annual allocation. This request shall include a summary of the actions taken by the Board to address the extraordinary circumstances. Provided however, before the Board may suspend any allocation, the County Council, by motion, must approve the request, reject the request, or change the amount requested by the Board to be suspended. The Board and UW Medicine agree that the Medical Center budget will be revised in accordance with the passed motion.

# Current Landscape & Mitigation Actions

## Historical Mitigation

- Project FIT – focused work on improving financial performance:
  - Savings and revenue enhancements across the system
  - Labor Productivity
  - Access Improvements
  - Supply chain
  - Revenue cycle (strategic pricing)
- Disaster relief funding recovery for COVID-19 (PRF, FEMA, CRF, etc.) – ongoing
- Appropriation funding increase

## Current Pressures

- Supporting community needs for access; creating high levels of difficult to discharge patients
- Funding \$8M bed readiness program to help increase post acute care needs
- Support for jail population – avg. \$8M annually in care provided without cost to the county
- Bargained labor increases to support our RN's and other critical health care workers

## Current Mitigation

- Mission Forward – work to immediately turn around financial performance
- Liquidity Planning – ensuring capital preservation through prioritization on investments that generate positive return on investment or impact patient safety.
- Strategic Planning – identifying growth areas to mitigate impact of future operating expenses
- Cash preservation through using an LTGO vs. cash

## • Longer Term

- Bond proforma work will require mitigations for additional infrastructure expense load

# Caring for the Most Complex Patients: “Difficult to Discharge” Challenges

A significant number of patients with high medical and psychosocial complexity and other regulatory barriers to discharge remain in our hospitals despite no longer needing acute care. This is true throughout the UW Medicine system and particularly at Harborview—where approximately 20% of patients are no longer in need of acute care.

## 16%

In FY 21, Harborview received a Medicaid daily payment rate of roughly \$270 for patients awaiting discharge, despite average acute care costs of \$1,675 per day. This equates to a reimbursement rate of **16% of cost**.

## 100+

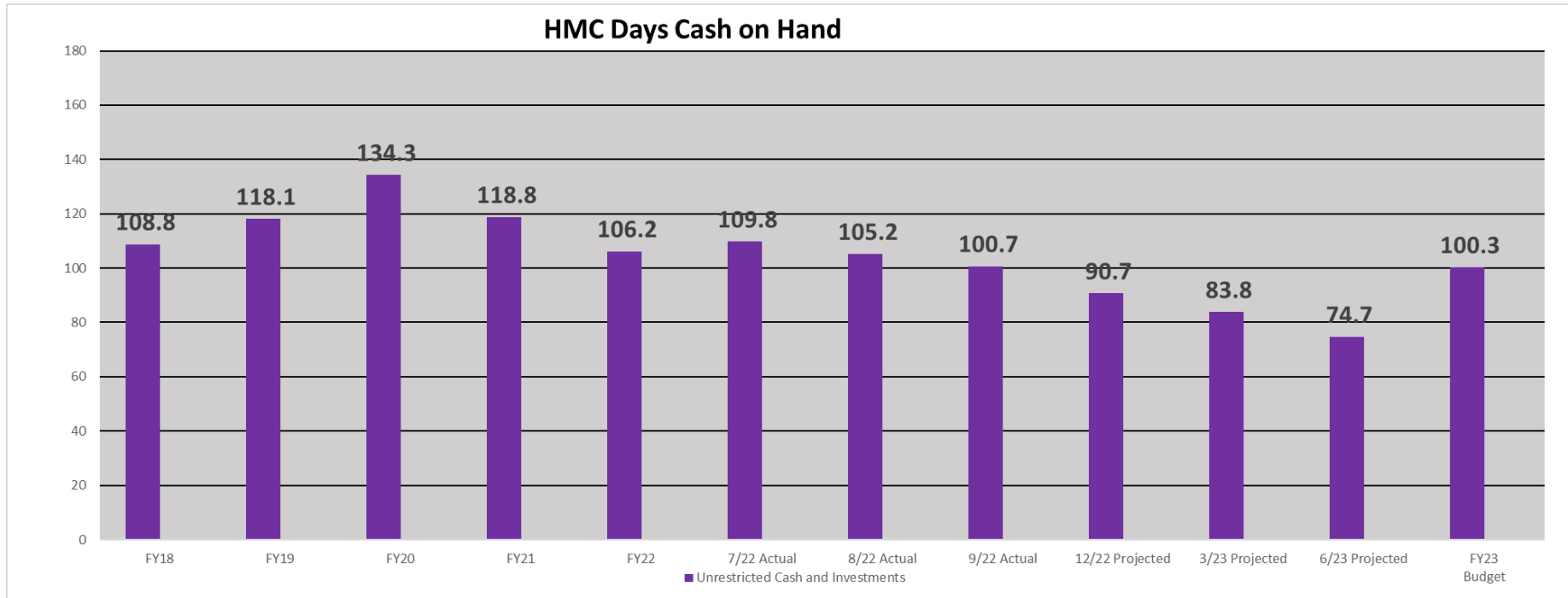
Harborview in recent months has averaged about **100+ difficult to discharge patients** on any given day that don't need hospital care.

## \$8m

Harborview pays over **\$8m per year** on top of existing insurance payments to incentivize skilled nursing facilities to take Harborview's patients.

# Cash Forecast based on Run Rate thru Sept

Moody's days cash on hand median range for nonprofit healthcare entities is 150-200



Forecast is developed using run rate without assumptions related to budgeted improvements. In addition to run rate, the forecast has been adjusted to include

- Capital estimates
- Budgeted labor increases

**NEXT STEPS:** A cash forecast that will include newly bargained unbudgeted labor agreements, FEMA recoveries, other expense impacts and anticipated achievement of key initiatives is in process. Will be shared with board committees when completed

# Board Recommendation

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Pursuant to Section 6.4.4 of the Hospital Services Agreement, the Finance Committee recommends that the Board submit a request to the King County Executive and the County Council to suspend the \$5M mission support payment until such time as Harborview is able to maintain a minimum of 120 days cash on hand for at least 1 year. The Finance Committee recommends reevaluating these extraordinary circumstances in 24 months.