

LEAD WITH FTI
FTI HEALTHCARE



Final Report

February 25, 2010



Regional Medical Center at Memphis



F T I®

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Current State of The MED



Major Accomplishments:

- Initiated culture change towards greater accountability and consistency in adhering to standards
- Improved organizational quality through the development of multidisciplinary teams
- Implemented routine rounding in patient care and non patient care areas to interact with physicians and staff
- Prepared the organization for successful regulatory reviews and established an environment for The Joint Commission (TJC) survey readiness
- Continually educated the staff on new or existing processes
- Enhanced communication in the organization through town hall meetings and joint meetings of Medical and Executive Leadership
- Enhanced overall operations, processes and systems

Major Accomplishments:

- Recruited Vice President of Legal Affairs and Vice President of Government Relations and Public Policy
- Developed a Memorandum of Understanding for prisoner care
- Continued the development of positive working relationships with representatives of the states of Tennessee, Arkansas and Mississippi
- In conjunction with the Board, obtained a commitment for a \$10 million increase in the County subsidy
- Obtained funding of \$2.4 million from Arkansas through UPL
- In conjunction with the Board developed “The Five Year Forecast”

Accomplishments



Major Accomplishments:

- Implemented a reduction in force of 88 FTEs on March 19, 2009 from an existing work force of 2,664 FTES
- Implemented additional efficiencies through reorganization and establishment of accountabilities and responsibilities
- Implemented approval by executive management of all per diem, temporary employee and agency usage
- Implemented advance approval of all overtime by the Vice President level or designee
- Required that all open positions are carefully reviewed and approved for hire by executive management
- Effectively managed workforce with the declining census

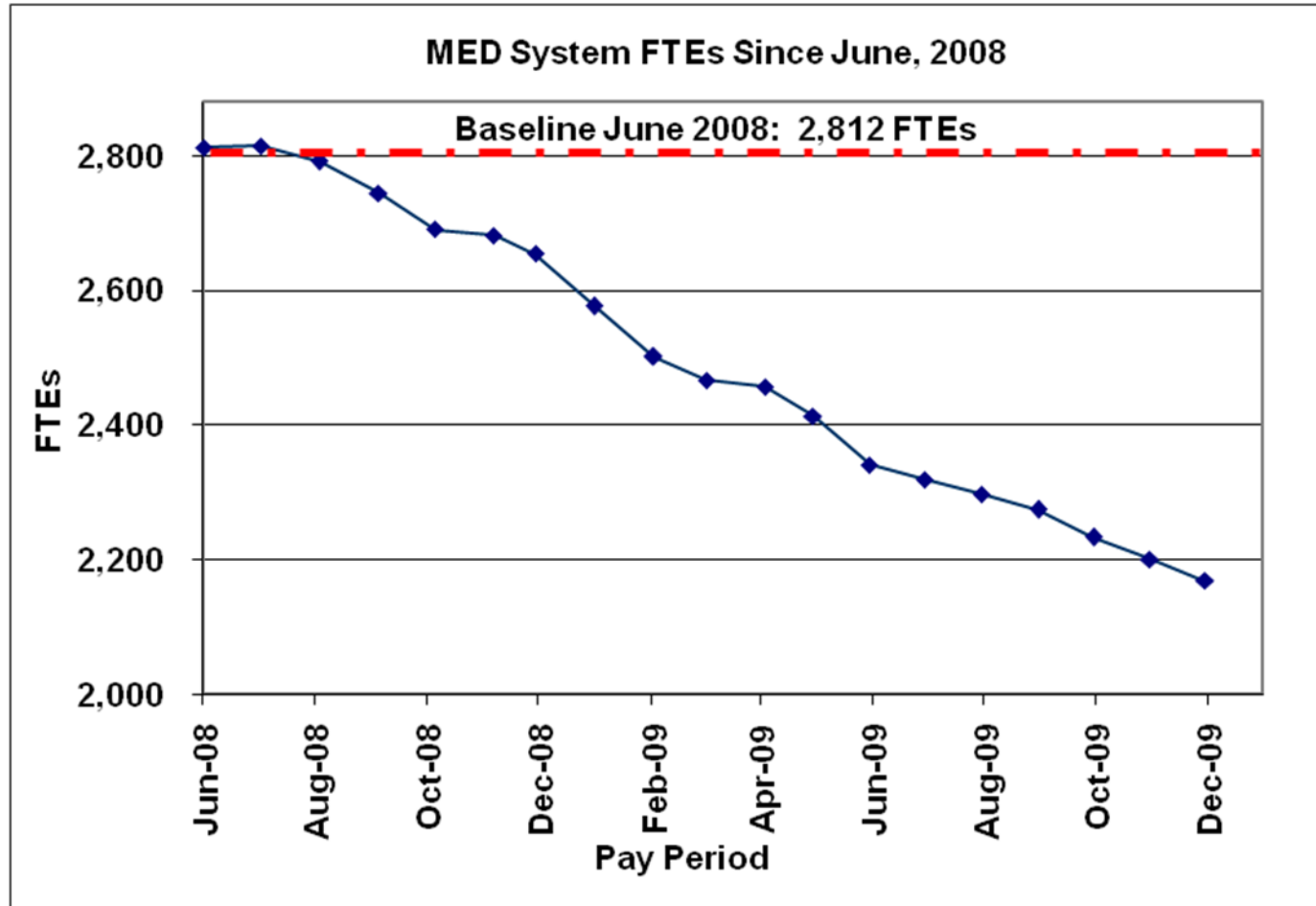
Major Accomplishments:

- Implemented Labor Productivity Management System (LPMS) as a management tool for monitoring labor utilization.
- Executive administration holds managers accountable for deviations from appropriate staffing requirements based on agreed upon benchmarks.
- Reduced overtime, temporary and contract labor by \$6.3 million or 5.6% between 6/30/08 and 12/31/09
- As of January 31, 2010 the work force is comprised of 2,103 FTEs

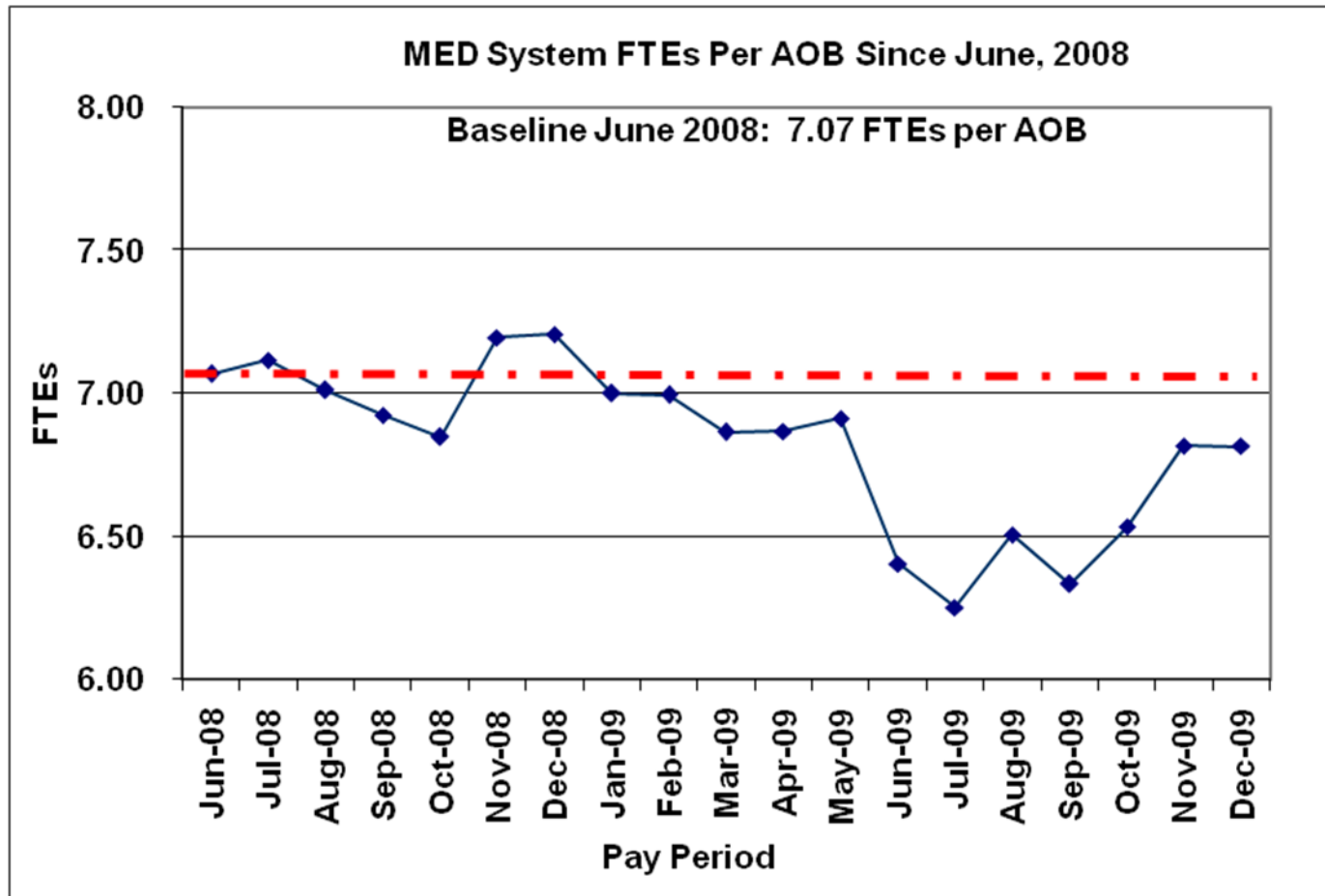
Next Steps:

- Continue to use the LPMS system for appropriate labor management
- Hold management accountable for horizontal integration of communication to foster efficient and effective changes in productivity
- Monitor and modify benchmark standards as programs, patient acuity and volumes change

Productivity – FTE Trends



Productivity – FTE Per AOB Trends



Major Accomplishments:

- Increased visibility, interaction and involvement of the Vice President Human Resources (HR)
- Updated the Health Benefit Package for all employees using a single vendor (Blue Cross)
 - Premiums were adjusted and plan changes were made
- Reconfigured employee benefits to include PTO, sick time and RetirePlus Plan (401 (k)) matching contribution
- Changed Workers Compensation carrier from Hartford to Travelers
- Engaged Rockhurst University to design and implement Leadership Development and Business Essentials learning processes for all directors and managers

Major Accomplishments:

- Extended the memorandum of Understanding with AFSCME Local 1733 through September 2011
- Computerized Human Resources work area for ease of applications, benefits enrollments and access to other Human Resources information
- Enhanced Workers Compensation Effectiveness Program through case management to include a light duty process
- Enhanced the Employee Relations Program
- Assigned an Interim Vice President, Human Resources due to the retirement of the incumbent

Next Steps:

- Recruit a permanent Vice President of Human Resources
- Balance the operations of the HR Department between administrative and consultative services
- Enhance the knowledge base of the HR staff and increase utilization of information technology to minimize administrative and manual processes
- Review, revise and implement a comprehensive compensation strategy to include salary structure and pay for performance
- Evaluate the Employee Pharmacy Benefits Program

Major Accomplishments:

- Reduced the operating losses for the Health Loop Clinics
- Explored divestiture of the Health Loop Clinics with two local FQHC's and selected Memphis Health Center to take five Health Loop Clinics
- Collaborated with Shelby County Health Department on the selection of Memphis Health Clinic regarding the divestiture of the Health Loop Clinics
- Initiated the process to increase and sustain provider productivity
- Established leadership to organize operations and bring processes into compliance with community and regulatory standards
- Structured a more financially advantageous contract with UTMG for OB services
- Consolidated six clinics that provided duplicative services without decreasing community access to care

Major Accomplishments:

- Revamped all claims edits to facilitate electronic billing of claims
- Trained the staff on the utilization of the existing technology
- Provided numerous and various educational sessions to providers, staff and management
- Incorporated Health Loop Patient Financial Services (PFS) Staff into The MED PFS staff
- Developed accounts receivable follow up team
- Converted Health Loop Laboratory services from full service/CAP accredited to CLIA waived
- Streamlined referral process

Next Steps:

- Continue with divestiture strategy
- Transition Health Loop Clinics to FQHC Memphis Health Center (MHC)

Major Accomplishments:

- Revised and enforced a clinical cancellation policy
- Developed an overbooking policy for each clinic
- Revised and enforced the cancellation/no show policy for patients
- Revamped block appointment scheduling
- Explored leasing clinic space to UTMG
- Enhanced coding procedures and processes
- Sustained acquisition of \$3 million in Ryan White Grants
- Developed and implemented an acuity charge tool to enhance capture of appropriate charge levels

Major Accomplishments:

- Awarded \$30,000 grant for Public Service Announcement program for HIV/AIDS outpatient initiatives
- Expanded outpatient mental health services to include Licensed Social Workers (LCSW) with Ryan White grants
- Expanded outpatient drug coverage for HIV/AIDS patients with Ryan White grants
- Transitioned the Ophthalmology Clinic to Hamilton Eye Institute/UTMG

Next Steps:

- Decrease appointment wait time to two months or less for all clinic appointments
- Develop a congestive Heart Failure (CHF) clinic to decrease inpatient readmissions
- Modify plan to decrease No Shows in Specialty Clinics

Major Accomplishments:

- Established 16 hours per day coverage in the Emergency Department to clinically monitor and redirect admissions as appropriate utilizing protocols
- Combined the case manager role with utilization management to form a comprehensive case management function
- Reassigned case managers office locations within the clinical areas
- Established a length of stay committee to include the Chief Medical Officer to facilitate patient placement and monitor the patient care process
- Implemented Chief Medical Officer daily case management rounds

Major Accomplishments:

- Implemented a process improvement plan for avoidable days
- Provided formal education to medical leadership on case management roles/duties
- Initiated education sharing of appropriate data with the case management and utilization management staff on a regular basis
- Developed a discharge template in Meditech
- Developed automated patient assessment for admission reviews

Next Steps:

- Provide 24/7 case manager services to the Emergency Department
- Continue to control avoidable days
- Establish next steps to reduce length of stay

Major Accomplishments:

- Negotiated AmeriChoice and BlueCare TennCare contracts
- Developed electronic Aergo work lists to replace paper processes
- Reassigned Rehab and Wound Care Registration functions to Patient Access
- Deployed FTI registration accuracy quality assurance tool to measure the accuracy of registrations
- Implemented new Emergency Department discharge process for Jefferson, Trauma and Burn
- Trained financial counselors on how to collect co-pays and deductibles in the Emergency Department
- Trained insurance verification staff on how to use available information technology

Next Steps:

- Monitor registration accuracy to assure gains are sustained and improved
- Monitor point of service collection results
- Implement electronic notification to United Healthcare for inpatient admissions
- Implement electronic signature for consents, HIPAA notices and advance directives

Revenue Cycle – Patient Financial Services

Major Accomplishments:

- Increased electronic billing system (ePREMIS) acceptance rates, recent acceptance rate of 73%
- Upgraded the Aergo system and conducted training for the revised collection work flows and tools and denial tracking
- Established a multidisciplinary committee to focus on denials
- Created and implemented a Quality Assurance and Productivity Policy
- Trained the staff to improve the utilization of existing technology
- Developed additional payers for electronic 835 remittance processing

Revenue Cycle – Patient Financial Services (continued)

Next Steps:

- Continue to address the root cause of accounts on hold in ePremis Bill Filter and establish goals for further reduction
- Continue to address the ePremis acceptance rate
- Implement electronic 835 remittance processing for Windsor and United

Revenue Cycle – Health Information Management (HIM)

Major Accomplishments:

- Revised the Meditech Bill Filter Report to enhance utilization by HIM
- Recruited a coding supervisor
- Conducted inpatient and outpatient coder training
- Established workgroup with HIM, MedPlex and chargemaster representatives to address bill filter issues

Next Steps:

- Assess root causes of claims that are discharged but not final billed in Meditech
- Continue implementation of the document imaging / scanning system
- Implement the release of information system coordinated with the document imaging system

Major Accomplishments:

- Implemented recommended Charge Description Master (CDM) improvements
- Developed cross functional work groups with clinical and non-clinical representatives to address charge capture issues
- Developed chargemaster policy for additions, revisions and deletions
- Selected Craneware as CDM Management Tool

Next Steps:

- Continue the Craneware implementation

Major Accomplishments:

- Established Value Analysis Committees (Clinical, Perioperative, and Materials Management) and the Value Analysis Steering Committee
- Enhanced the negotiating skills in the materials management department
- Developed, implemented and completed a plan to meet with numerous vendors to obtain pricing concessions and rebate structures
- Renegotiated various commodity and physician preference item contracts
- Decreased, as appropriate, PAR level inventory in various departments
- Revised the Vendor Relations Policy to increase accountability
- Reviewed and revised as appropriate selected Supply Chain Policies

Next Steps:

- Continue the Value Analysis Committees and Steering Committee meetings

Major Accomplishments:

- Signed Semmes-Murphey contract
 - “Non-diversion of insured patients” clause included
- UTMG
 - Completed data collection on physician productivity and staffing needs
 - Developed contract framework that included productivity adjustment
 - Collaboratively reduced physician staffing in key areas
- Graduate Medical Education
 - Reduction in resident complement from 149 in FY09 to 138.5 in FY11

Next Steps:

- UTMG
 - Continue monthly negotiation meetings
 - Finalize contract that meets current organization needs by June 31, 2010
- Initiate Campbell Clinic contract negotiations
 - Finalize contract that meets current organization needs by December 2, 2010

Major Accomplishments:

- Implemented “ground-up” CDCI program
 - Conducted extensive education of Medical Staff and residents
 - Trained 2 CDCI nurses with concurrent inpatient chart review beginning Q4, 2009
 - Incorporated medical record coders to enhance post-discharge data capture
 - Recruited and trained three physician advisors
 - Developed custom “dashboard”
- Medicare dashboard outcomes Q4, 2009 – (Baseline 11 months FY08)
 - Increased Case Mix Index (CMI) to 1.7103 from baseline 1.5277
- AmeriChoice dashboard outcomes Q4, 2009 – (Baseline 6 months FY09)
 - CMI Overall: Baseline 0.9625, increased to 0.9682
- Increased capture of complicating conditions or major complicating conditions

Next steps:

- Transition oversight of program to CDCI Steering Committee
 - Monitor CDCI performance
 - Establish action plans and education calendar
 - Identify and address barriers to progress
 - Communicate progress to administration and hospital leadership
 - Approve changes to CDCI Process / Tools
 - Review monthly CDCI dashboard performance reports
- Continue monthly morning report educational sessions for medicine residents, coders and CDCI nurses
- Continue Medical Staff and resident education program

Major Accomplishments:

- Patient satisfaction
 - Increased from 1st percentile to 14th percentile nationally from Q3 to Q4, 2009 (adjusted by CMS for differences in methodology)
 - Initiated “Extra Miler” program to identify and reward exemplary employee service
 - Initiated Ambassador Program of daily satisfaction visits to all patients
- Physician satisfaction
 - Completed 11/08 and 12/09 physician satisfaction surveys
 - Marked improvement in confidence and satisfaction of Medical Staff in communication, administration, and patient care at The MED in all categories
 - 52% would recommend The MED to friends/family in 2009, compared to 22% (13% undecided in both 2008/2009)

Major Accomplishments:

- Improvements in Infection Prevention (IP)
 - Passed validation visit for quality of data submission 7/09 to THA IP initiatives for CLABSI, and MRSA surveillance
 - Reduced infections for hospital-acquired MRSA infections from 25 per month to 10 per month with quarterly declines from Q1-09 through Q4-09
 - No General ICU HA-MRSA infections last six months of 2009
 - Reduced HA Acinetobacter (highly antibiotic-resistant) infections
 - Burn ICU – consistent decline from 7 per month to 0 per month in 2009
 - Trauma ICU – consistent decline from 6 per month to 1 per month in 2009
 - Reduced VAP in GICU from 7 in Q1 to 0 in Q4 2009
- Response to public reports of elevated CLABSI rate at The MED in 2008
 - CLABSI rate at The MED declined 31.4% from 2008 (8.28/1000 line-days) to 2009 (6.59/1000 line days)

Major Accomplishments:

- Organized a multidisciplinary Evidence-based Practice Committee
 - Implemented over 30 order sets promoting Core Measure compliance
 - 2009 Core Measure scores for AMI, CHF, Pneumonia and Surgical Care Improvement Project (SCIP) consistently above benchmark goals
 - Composite success rate for Core Measures increased from 72% to 95% in 2009
 - All 8 aggregate SCIP scores Q4-08 through Q3-09 were 97%-100% compliant
 - 2007 SCIP scores in bottom 30% for TN, rose to top 30% in 2009
- Successful Joint Commission and State Health Department surveys
- Implemented continual Joint Commission readiness with bi-weekly tracers
- Implemented root cause analysis teams for high risk/ near miss events
- Upgraded incident reporting to on-line system (Quantros)

Next Steps:

- Continue Core Measure teams and Evidence-based Medicine Committee
- Maintain use of multidisciplinary task forces to address quality and infection prevention problems, as identified
- Continue annual physician satisfaction surveys
- Continue support for “Extra Miler” and Ambassador Program

Major Accomplishments:

- Reorganized the middle management to develop an outcome driven nursing organization to maximize accountability
- Developed multidisciplinary task forces with ancillary departments and physicians to improve processes and systems
- Improved communication and working relationships with physicians
- Physicians satisfaction survey (2010) reflects significant increase in the confidence of physicians in the delivery of nursing care
- Enhanced patient care delivery by :
 - Holding staff accountable
 - Improving processes and systems
 - Focusing on training and development with ongoing educational offerings
 - Implementing point of service education
 - Focusing on sustainable process improvements

Major Accomplishments:

- Reduced labor expenses through re-engineering initiatives, holding management accountable and daily review of productivity standards
- Developed Ambassador Program to improve patient satisfaction
- Improved Recruitment and Retention initiatives
- Improve Emergency Department throughput with multidisciplinary task force composed of ancillary services and physicians

Next Steps:

- Maintain focus on quality initiatives and sustain the gains that have been achieved
- Continue to improve patient satisfaction through the Ambassador Program with major focus on staff attitudes
- Continue fiscal responsibility/accountability and manage labor cost

Major Accomplishments:

- FTI engaged KSA to facilitate the initiation of a Strategic Plan (long term vision and strategic direction)
- Developed Strategic Planning Committee with representatives from the Board, the Medical Staff and the executive staff
- KSA interviewed Board Members, Medical Staff Leadership, Elected Officials, Community Leaders and other key stakeholders
- KSA presented final document to the Strategic Planning Committee
- Board leadership and Management developed “The Future of The MED” also known as “The Five Year Plan” to address the funding and capital needs of The MED
- “The Five Year Plan” was approved by the Board and presented to elected officials and the public

Next Steps:

- Continue to address long term, sustainable funding and facility requirements

Major Accomplishments:

- Terminated Contract with CSC (effective 1/1/10)
- Hired staff as MED employees
- Acquired Dell Servers and SAN to move data center from Nashville to Memphis
- Secured external consultant assistance to support transition to in-house information systems
- Secured help desk contract
- Transitioned Nashville data center to Memphis

Next Steps:

- Implement a hot site for disaster recovery
- Establish Information Technology and Physician Advisory steering committees
- Develop an Information Technology Strategic Plan

Volume Overview / Financial Improvements

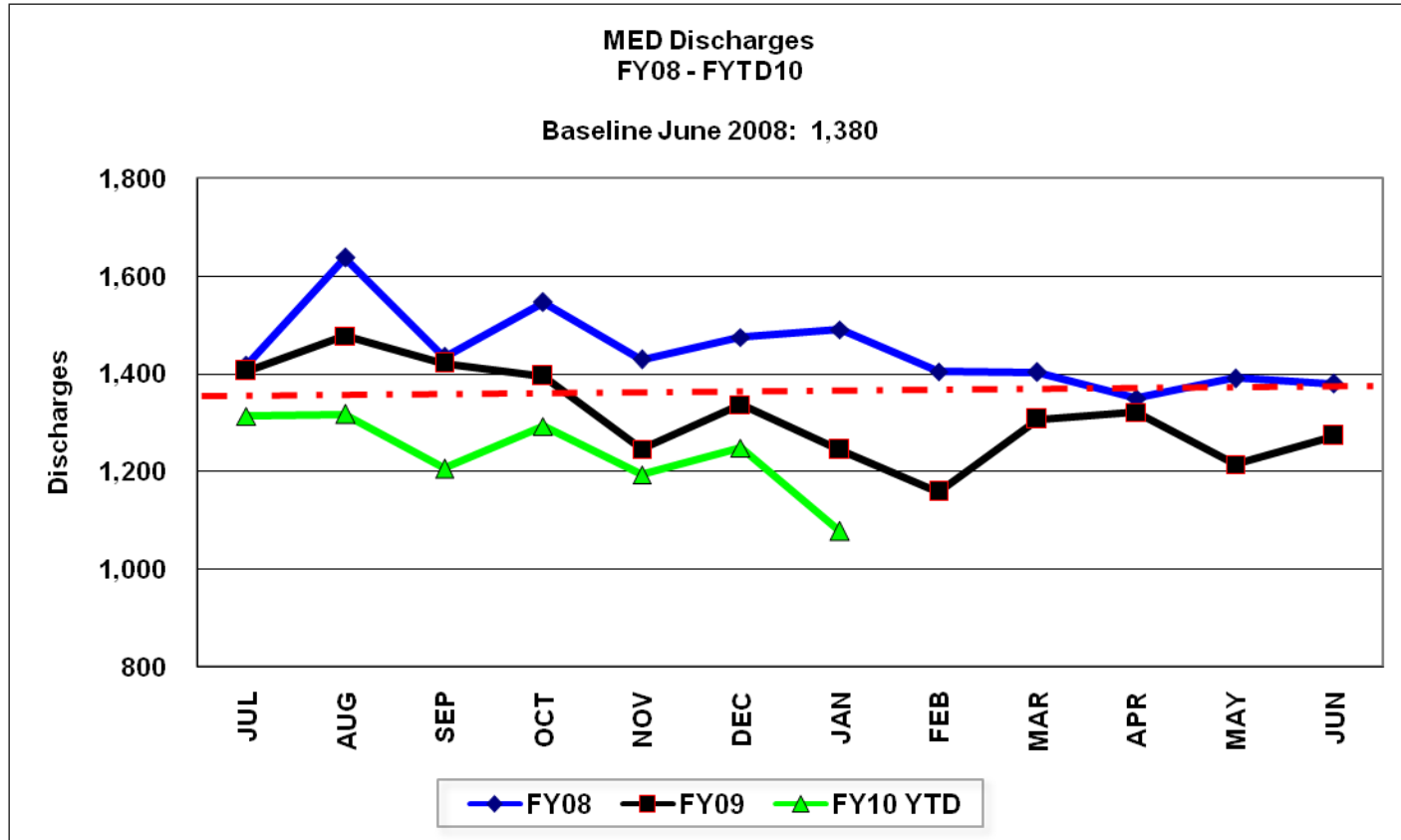


Volume Trends

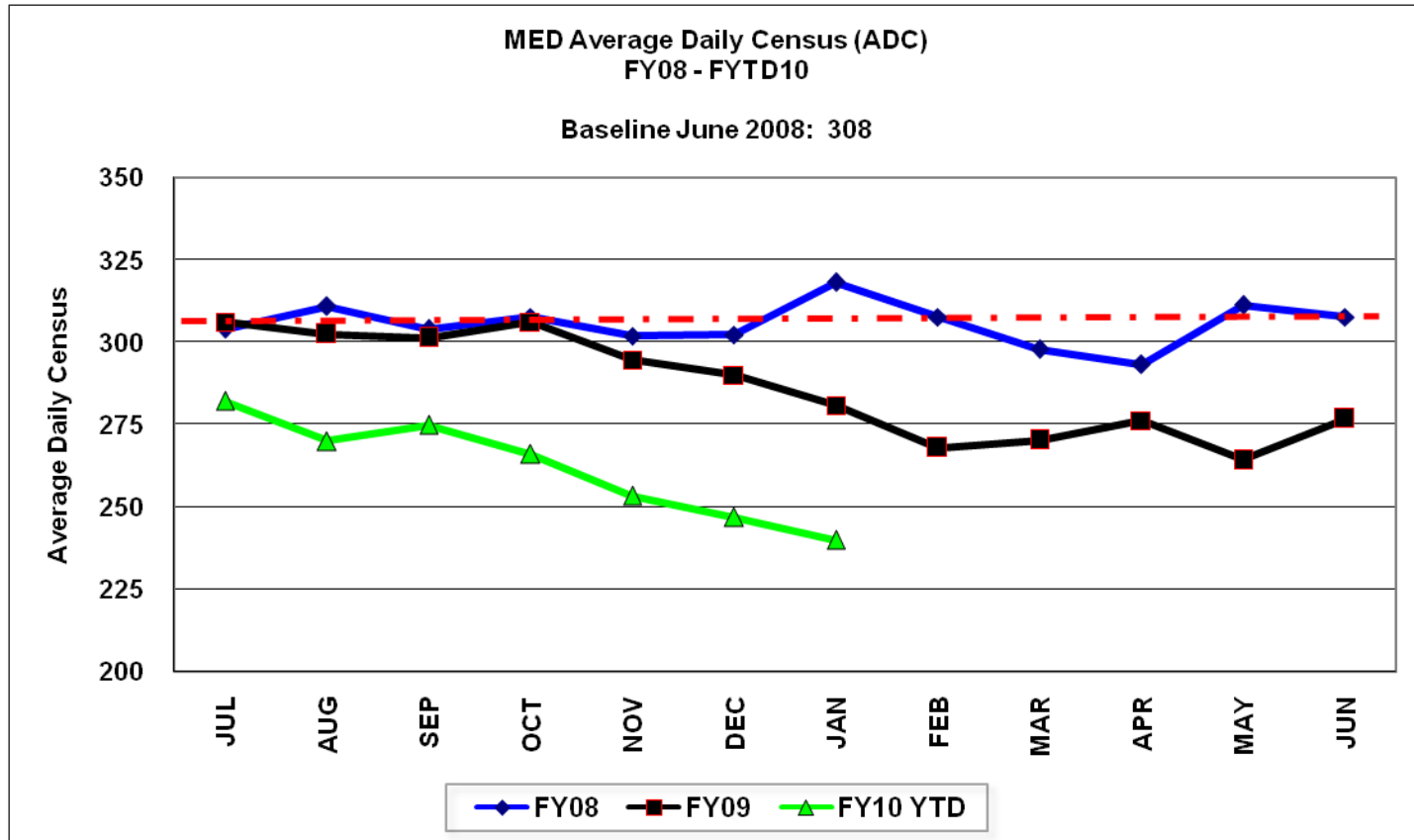
The Regional Medical Center at Memphis

		FY07	FY08	FY09	YTD FY10	Annualized FYTD Jan 10
Discharges	Adult	16,977	16,175	16,846	7,906	13,553
	Sick Baby	1,198	1,185	1,039	743	1,274
	Total	18,175	17,360	17,885	8,649	14,827
Patient Days	Adult	95,004	93,999	86,276	44,364	76,053
	Sick Baby	19,561	17,875	18,333	11,940	20,469
	Total	114,565	111,874	104,609	56,304	96,521
Average Daily Census		314	307	287	262	264
Case Mix Index	Medicare	1.80	1.93	2.08	1.95	1.95
	Hospital	1.36	1.37	1.41	1.43	1.43
Deliveries		5,038	5,167	4,629	2,634	4,515
Emergency Visits		60,209	54,523	55,591	28,512	48,878
Outpatient Visits		234,078	228,985	175,450	84,402	144,689

Volume Trends – Discharges, FY08- FY10 YTD



Volume Trends – Average Daily Census, FY08-FY10 YTD



Income Statement Trend



(\$ in 000s)	<u>FY08</u>	<u>FY09</u>	<u>FY10 YTD ACTUAL Thru 1/31/10</u>
Total Operating Revenue	\$247,919	\$235,817	\$131,984
Total Operating Expenses	331,015	324,947	165,702
Revenue over (under) Expenses Before Appropriation & Non-Oper Revenue	(83,096)	(89,130)	(33,718)
Appropriations & Non-Oper Revenue	80,680	68,912	39,052
Revenue Over (Under) Expenses	\$(2,415)	\$(20,217)	\$5,334
Total Unusual Items	6,990	(12,117)	624
Normalized Revenue Over (Under) Expenses	\$(9,406)	\$(8,100)	\$4,710

Income Statement Trend / Forecast



(\$ in 000s)	FY10			FY08 to FY10	
	<u>FY08</u>	<u>FY09</u>	<u>Forecast</u>	<u>\$ Var</u>	<u>% Var</u>
Total Operating Revenue	\$247,919	\$235,817	\$213,821	\$(34,098)	-15.9%
Total Operating Expenses	331,015	324,947	276,836	(54,179)	-19.6%
Revenue over (under) Expenses Before Appropriation & Non-Oper Revenue	(83,096)	(89,130)	(63,015)	20,081	-31.9%
Appropriations & Non-Oper Revenue	80,680	68,912	65,425	(15,255)	-23.3%
Revenue Over (Under) Expenses	\$(2,415)	\$(20,217)	\$2,410	\$4,825	200.2%
Total Unusual Items	6,990	(12,117)	2,378	(4,612)	-194.0%
Normalized Revenue Over (Under) Expenses	\$(9,406)	\$(8,100)	\$32	\$9,438	

Income Statement Trend / Forecast



(\$ in 000s)	FY08	FY09	FY10 Forecast	FY08 to FY10	
				\$ Var	% Var
Total Operating Revenue	\$247,919	\$235,817	\$213,821	\$(34,098)	-15.9%
Total Operating Expenses	331,015	324,947	276,836	(54,179)	-19.6%
Revenue over (under) Expenses Before Appropriation & Non-Oper Revenue	(83,096)	(89,130)	(63,015)	20,081	-31.9%
Appropriations & Non-Oper Revenue*	80,680	68,912	75,425	(5,255)	-7.0%
Revenue Over (Under) Expenses	\$(2,415)	\$(20,217)	\$12,410	\$14,825	119.5%
Total Unusual Items	6,990	(12,117)	2,378	(4,612)	-194.0%
Normalized Revenue Over (Under) Expenses	\$(9,406)	\$(8,100)	\$10,032	\$19,438	193.8%

*With additional \$10 million from Shelby County

Cash Forecast Through June 2010 (\$000)

Net Operating Cash before additional subsidy	\$ 6,495
Days Cash on Hand	8.6

Summary – Recurring Opportunities



(\$ in 000s) Opportunities	Recurring Improvement Opportunity			Projected Achievement
	Low	Mid	High	
Revenue Cycle	\$7,089	\$8,960	\$10,832	\$17,670
Productivity	4,527	4,810	5,093	7,609
Supply Chain	4,276	5,476	6,673	4,542
Human Resources	2,439	2,961	3,484	3,356
Health Loop	2,800	4,268	5,700	3,866
Physician Contracting and Medical Education	3,858	5,786	7,715	523
Information Technology	591	887	1,182	1,301
Total Recurring Opportunity	\$25,580	\$33,149	\$40,679	\$38,867

The base period used to calculate the annualized improvement was FY 2008. The actual achievements were based on July 2009 through December 2009 volume, annualized. Future results will vary based on changes in volume or other economic factors.

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THANK YOU



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