



# Ashland Community Hospital

August 1, 2011

**Ashland Community Hospital  
Annual Report to City Council  
August 2, 2011  
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The fiscal year ending June 30 has been one of considerable challenge for Ashland Community Hospital along with the economy as a whole. Relatively flat volumes, an increased dependence on reimbursement through the Medicare and Medicaid Programs and declining reimbursement rates from these programs, rising costs for labor, drugs, medical supplies, utilities and technology, and the overall poor state of the economy resulting in high unemployment, a loss of healthcare benefits, and increased out-of-pocket cost for many who have benefits have all impacted the hospital.

For the fiscal year 2010-11, Ashland Community Hospital

- Admitted 1,544 patients
- Provided 4,959 days of inpatient care
- Delivered 340 babies
- Completed 3,268 surgeries and special studies
- Treated 8,151 patients through the Emergency Department
- Registered 58,697 outpatients
- Made 8,624 home health visits
- Provided 8,959 days of hospice care

The hospital generated gross revenues of \$93.3 million, which resulted in net revenue of \$48.2 million following deductions for contractual adjustments, charity care, and bad debts. These deductions totaled 49% of gross revenue, up from 48% in the prior fiscal year.

It is the payor mix that has become the Hospital's greatest challenge. The percentage of the Hospital's revenue through the Medicare Program was approximately 41% in 2004. For the 2010-11 year it was at 53%. Over the same time period the percentage of the Hospital's revenue through the Medicaid Program doubled, from approximately 4% to over 8%. This has all been at the expense of revenue from commercial insurance.

For the 2010-11 fiscal year the hospital had total operating expenses of \$50.9 million, resulting in a loss from operations of approximately \$2.7 million. On a positive note, the Hospital undertook a revenue recovery initiative related to prior years, resulting in \$1.6 million in additional revenue. This prior period adjustment, combined with non-operating revenue, offset a significant portion of the operating loss resulting in an overall loss for the year of about \$500,000 or a negative margin of .56%.

Unfortunately, the prior period revenue recovery initiative is complete and there will be no extra-ordinary revenue in the new fiscal year.

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Despite challenging financial times, the Hospital accomplished much over the past fiscal year.

- The ACH for Internal Medicine, begun in 2008 to increase access to primary care for Medicare beneficiaries, has continued to grow. The Clinic currently employs 4 physicians and a fifth will join the practice in mid-September.
- Planning is currently underway for the ACH Center for Family Medicine, expected to open in mid-September. This hospital-operated practice of Family Physicians and Pediatricians will have offices in both Ashland and Talent
- Patient satisfaction scores, as measured through the Federal HCAHPS Program, have increased consistently. HCAHPS, the Healthcare Consumer Assessment of Hospital Perception, measures patient perception of the hospital experience in nine areas of consideration. Ashland Community Hospital is at or above national benchmarks in 8 of the 9 domains measured.
- ACH is at or near 100% compliance with the Centers of Medicare and Medicaid Services Core Measures. Core Measures are indicators of clinical inpatient and outpatient care. There are currently 35 such measures. By 2015 it is projected that there will be 75 indicators to be monitored and reported.
- The Hospital underwent a successful accreditation survey by DNV Healthcare, the hospital's chosen accrediting organization, with only a small number of relatively minor recommendations. The Hospital's Laboratory, Home Health Service, and Hospice Program also completed successful certification surveys. The ACH Center for Wound Care received an Award of Distinction related to outcomes in chronic wound management and healing and the Hospital received an Award of Excellence for Quality Achievement from Acumentra, the Hospital's Medicare Intermediary. Finally, the Hospital was recognized by the Ashland Chamber of Commerce as the Green Business of the Year for 2010.
- The Hospital continued to make progress in the implementation of the Planetree model of patient-centered care. ACH affiliated with Planetree in 2006 and the Planetree model, which strives to personalize, humanize and demystify the hospital experience, remains a key strategic initiative. Accomplishment in the past year include implementation of the shared medical record, creation of a Patient Advisory Council, continued renovation of patient and family comfort zones, establishment of an Ethics Committee, and implementation of a dog therapy program. We are currently working on our application for Planetree Designation status with the hope of achieving Designation Status by the end of the current calendar year.
- Continued progress was made toward the implementation of the Hospital's electronic medical record, with the implementation of Scanning and Archiving and Physician Order Entry modules of the Meditech System. In addition, equipment and systems are currently being installed to allow for interfacing of the Hospital's Meditech System with individual physician electronic medical records.
- A Marketing Plan was completed and a variety of marketing initiatives were begun in the past year, including print, radio, and web-based advertising. Social media marketing initiatives were initiated with the creation of a Hospital Facebook page.
- The Hospital has enjoyed tremendous growth in volunteers over the past year, with volunteers now numbering 160 including the Hospital Auxiliary, Lay Chaplains, Guest Services Volunteers, Hospice Volunteers, and Therapy Dog Handlers.

- The ACH Foundation completed a strategic planning process and implemented a number of new development activities including a Grateful Patients Program and a formal Employee Campaign.
- Approximately \$850,000 was spent on new technology including new cardiac monitors, surgical video equipment, a new colonoscope, and a variety of information technology applications.

Other significant accomplishments include:

- Revision to the Medical Staff By-Laws and Rules and Regulations
- New process for communicating with patients with limited English proficiency
- New education management system
- Electronic document management system for policies, procedures, and contracts
- Redesign of safety and emergency preparedness programs
- Implementation of an on-line application process for potential new employees
- Redesign of departmental and medical staff performance improvement programs
- Creation of a Balanced Score Card to align operational goals with strategic objectives
- Implementation of job-related skills assessment and behavioral interviewing techniques for potential new hires
- Recruitment of management staff in Pharmacy, Materials Management, Surgical Services, and Dietary

As a mission driven organization, Ashland Community Hospital remains committed to the Community it serves. Over the past year the Hospital continued its program of student health services in elementary and middle schools in Ashland and Talent. The Hospital and its Foundation supported community organizations and activities through grants, sponsorships and participation in celebrations and fund raising events.

Perhaps the greatest reflection of the hospital's mission to the community was the provision of approximately \$12.5 million in uncompensated care in fiscal year 2010-11 including \$1.6 million in charity care, \$1.5 million in bad debt write-offs, and a \$9.4 million shortfall in payments through the Medicare Program. This shortfall represents the difference between what the hospital receives from the Medicare Program and what it actually costs to take care of Medicare patients.

Ashland Community Hospital remains committed as well to the support of education and training for staff. In 2010-11, 17 employees participated in the hospital's tuition reimbursement program, which provides employees with up to \$2,500 per year for tuition, books and fees. Hospital employees participated in over 14,000 hours of continuing education through seminars, conferences, and in-house educational offerings. Through the Hospital's Mentor Program 11 employees provided almost 5,000 hours mentoring new employees.

For the new fiscal year that began July 1, 2011, we have approved a budget that can best be described as "cautiously optimistic." Volumes for existing services are projected to remain relatively flat. Some modest increases in revenue have been projected from new programs currently in the planning stage. Total deductions from revenue are expected to continue to increase as they have for the past several years. There will be no market-based wage adjustments and routine employee step increases have been reduced to 1%. Budgeted discretionary spending has been reduced wherever possible.

Unfortunately, there is considerable uncertainty ahead. The State budget originally proposed for the 2011-12 called for a significant reduction in hospital reimbursement through the Medicaid Program. While Ashland Community Hospital's Medicaid reimbursement will not decline in 2011-12, there is now speculation that Medicaid reimbursement to hospitals will go down as much as 40% in the second year of the biennium. There is also a great deal of uncertainty with Medicare reimbursement. Initial CMS proposals call for cuts of at least 6.5%. Discussions around Medicare have now become part of broader discussions related to the federal deficit. Whatever the outcome, the question is not whether Medicare reimbursement will continue to decline but rather by how much.

Our hospital is in a difficult strategic position. Because of its location relative to Medford, the Hospital does not qualify for cost-based reimbursement through the Medicare Program as a Critical Access Hospital. At the same time, proximity to two much larger hospitals in Medford drives a standard of care and level of technology that is increasingly difficult for a small hospital to meet. Proximity to Medford also includes proximity to a large base of primary care and specialty physician services. All hospitals have difficulty competing on a price basis with free-standing diagnostic, surgical, and treatment centers.

Last but not least is the issue of healthcare reform. While a great deal of uncertainty remains, everyone seems to agree that our country's healthcare system is not sustainable. Discussions are on-going related to accountable care organizations, capitation, system integration, managed care, consolidation, and regionalization. ACH must position itself to participate in this new and more complex environment.