

HARBORVIEW MEDICAL CENTER

KING COUNTY COUNCIL COMMITTEE OF THE WHOLE

Sommer Kleweno Walley, Chief Executive Officer

Steffanie Fain, Board of Trustees President

December 7, 2022

THANK YOU TO OUR PARTNERS

- Our Faculty & Staff
- Labor Partners SEIU 1199NW, SEIU 925, WFSE
- King County Council
- King County Executive
- King County Residents
- Harborview Board of Trustees

AGENDA

Mission

Financial Update

- Uncompensated Care
- Difficult to Discharge
- Capacity Challenge

Our Response

- Mission Forward
- Harborview Strategic Plan

Board of Trustees Update

MISSION

Harborview Medical Center is owned by King County, governed by the Harborview Board of Trustees, and managed under contract by the University of Washington.

Harborview Medical Center is a comprehensive healthcare facility dedicated to the control of illness and the promotion and restoration of health. Its primary mission is to provide healthcare for the most vulnerable residents of King County; to provide and teach exemplary patient care; to provide care for a broad spectrum of patients from throughout the region; and to develop and maintain leading – edge centers of emphasis. As the only Level I Adult and Pediatric Trauma Center in Washington, Harborview Medical Center provides specialized comprehensive emergency services to patients throughout the region and serves as the disaster preparedness and disaster control hospital for Seattle and King County.

The following groups of patients and programs will be given priority for care:

- Persons who are non-English speaking poor
- Persons who are uninsured or underinsured
- Persons who experience domestic violence
- Persons who experience sexual assault
- Persons incarcerated in King County's Jails
- Persons with mental illness, particularly those treated involuntarily
- Persons with substance abuse
- Persons with sexually transmitted diseases
- Persons who require specialized emergency care
- Persons who require trauma care
- Persons who require burn care

Harborview's patient care mission is accomplished by assuming and maintaining a strong leadership position in the Pacific Northwest and the local community. This leadership role is nurtured through the delivery of health services of the highest quality to all of its patients and through effective use of its resources as determined by the Harborview Board of Trustees.

Harborview, in cooperation with UW Medicine, plans and coordinates with Public Health Seattle and King County, other County agencies, community providers, and area hospitals, to provide programs and services.

Harborview fulfills its educational mission through commitment to the support of undergraduate, graduate, post-graduate and continuing education programs of the health professions of the University of Washington and other educational institutions, as well as programs relating to patient education.

Harborview recognizes that the delivery of the highest quality of healthcare is enhanced by a strong commitment to teaching, community service and research.

FINANCIAL UPDATE

Due to labor costs, length of stay, and future costs associated with the 2020 Bond, Harborview faces historic financial challenges.

- Dramatic Increase in Operating Expenses
- Inability to Discharge Patients Who No Longer Require Acute Care Impacting Revenue
- Operating Beyond Physical Capacity
- Operating Impacts of the \$1.74 Billion Capital Expansion Bond

PRELIMINARY FINANCIAL IMPACT OF BOND



Significant infrastructure enhancements come with increased operating costs, including the non-cash impact of depreciation



Objective is to execute on the vision while controlling costs as much as possible



Offsetting additional infrastructure costs with strategic initiatives should be a focus, but will take several years to realize



Goal is to ensure Harborview remains cash flow positive



Margin targets will be continually re-evaluated during the planning process

UNCOMPENSATED CARE

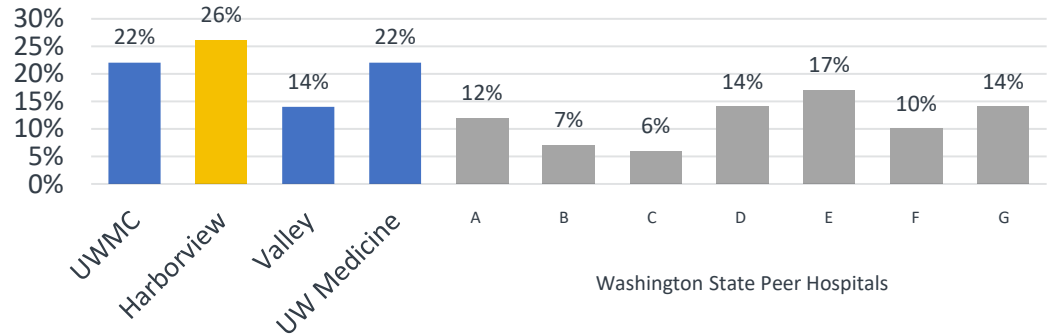
Harborview's investment in safety net care is a cornerstone of the state's healthcare system.

\$293m

In FY21, Harborview provided \$293m in uncompensated care. This represents 23.4% of net patient revenue. In total, UW Medicine provided \$729m.

Given a mission-driven focus to address healthcare inequities, Harborview consistently provides high levels of uncompensated care—most recently, **\$293 million in FY21** (UW Medicine provided \$729m in total). Uncompensated care includes financial assistance (also known as charity care) for low-income patients and bad debt (*i.e.*, unpaid medical bills), as well as uncompensated portions of resident training costs. However, the amount of uncompensated care provided is predominantly driven by below-cost reimbursement from government payers such as Medicare and especially Washington State Medicaid, which **has not increased reimbursement in over 20 years**; Medicaid pays Harborview **71% of cost on average**.

Uncompensated Care as a Percentage of Net Patient Service Revenue:
UW Medicine compared to Washington State Peers



DIFFICULT TO DISCHARGE CHALLENGES

Caring for the most complex patients

A significant number of patients with high medical and psychosocial complexity and other regulatory barriers to discharge remain in our hospital 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 FY21, 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+

At Harborview in recent months, we have averaged more than **100 patients** on any given day who 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.

STAFFING PUBLIC HOSPITALS

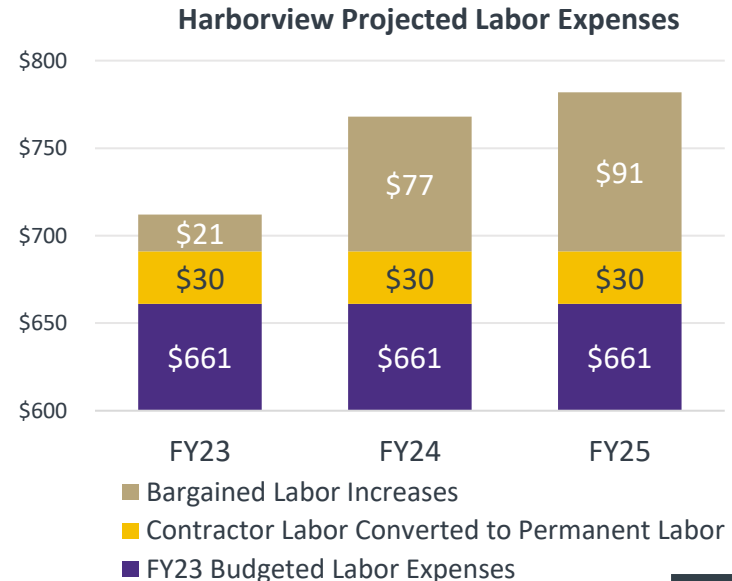
We're grateful to staff for their critical work and recognize the importance of continuing to invest in recruitment and retention.

Labor costs are a large and increasing share of hospital budgets, including at Harborview.

- Contract labor costs in FY22 of more than \$85 million
- Contract staff labor increase over 75% in the last 12 months

Contributing factors:

- The relative richness of benefits offered to our staff as state employees
- We continue to staff to meet increased patient care needs despite the high labor costs and negative financial implications

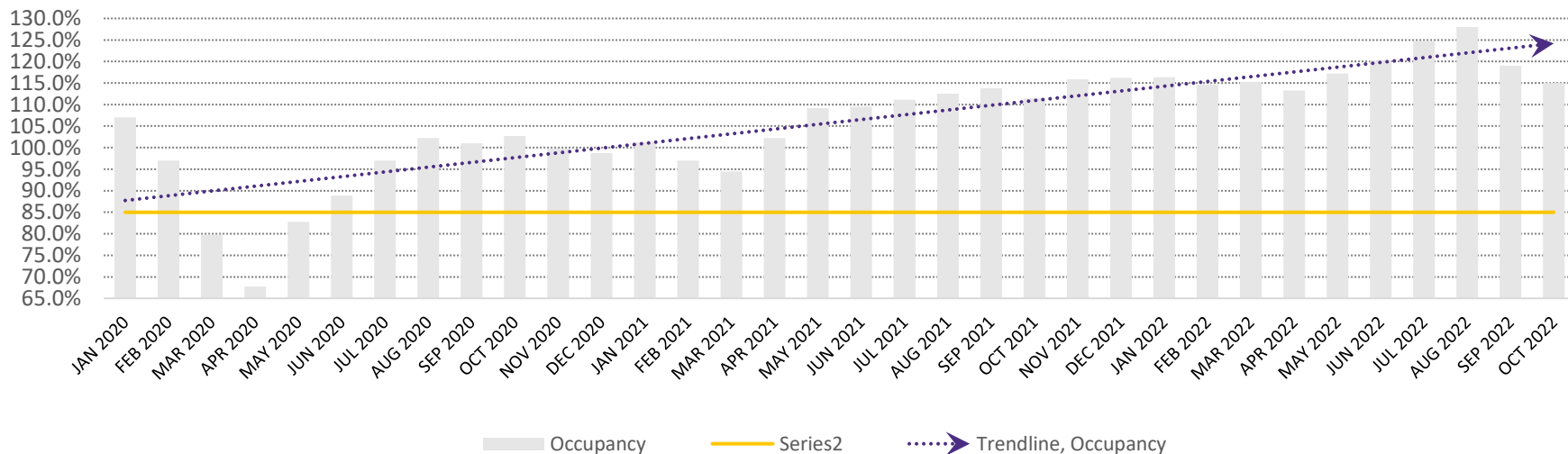


CARING FOR OUR COMMUNITY

Supporting our community and creating access despite financial and space constraints.

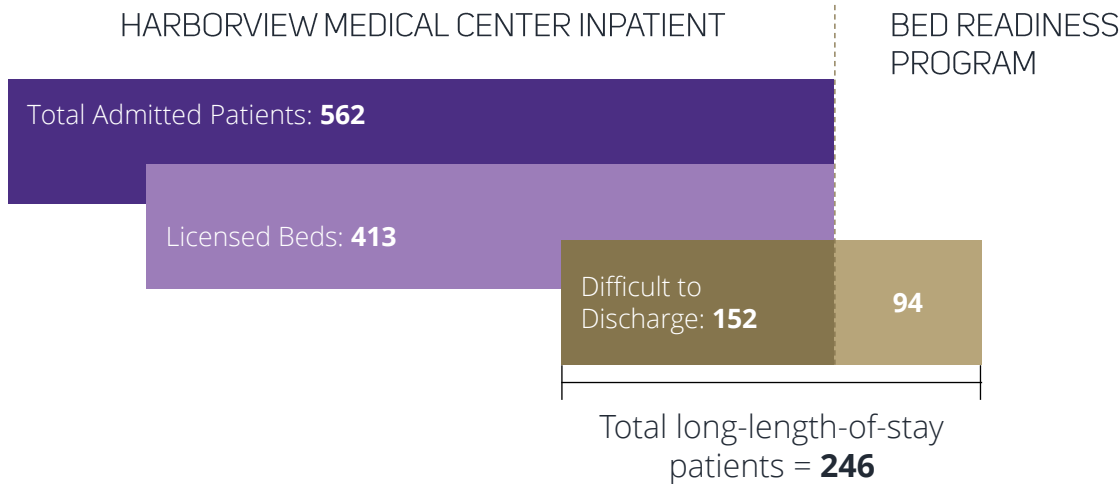
Despite negative financial implications of doing so, Harborview continues to invest in additional staff and physical capacity to serve the needs of all patients—an unsustainable trend.

Harborview Occupancy Trend - ICU and Med Surg Only, Including OP Days

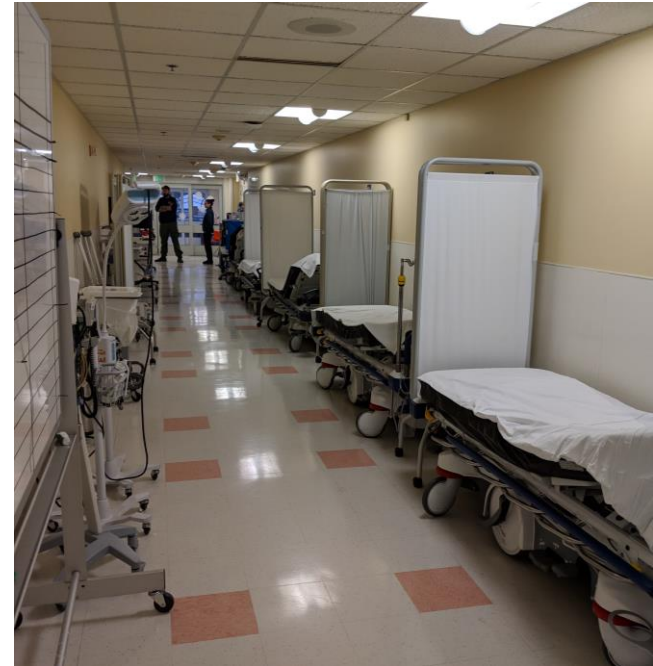


CAPACITY CHALLENGES

“Difficult-to-discharge” patients are those who are medically cleared for discharge but have nowhere to go and cannot be placed.



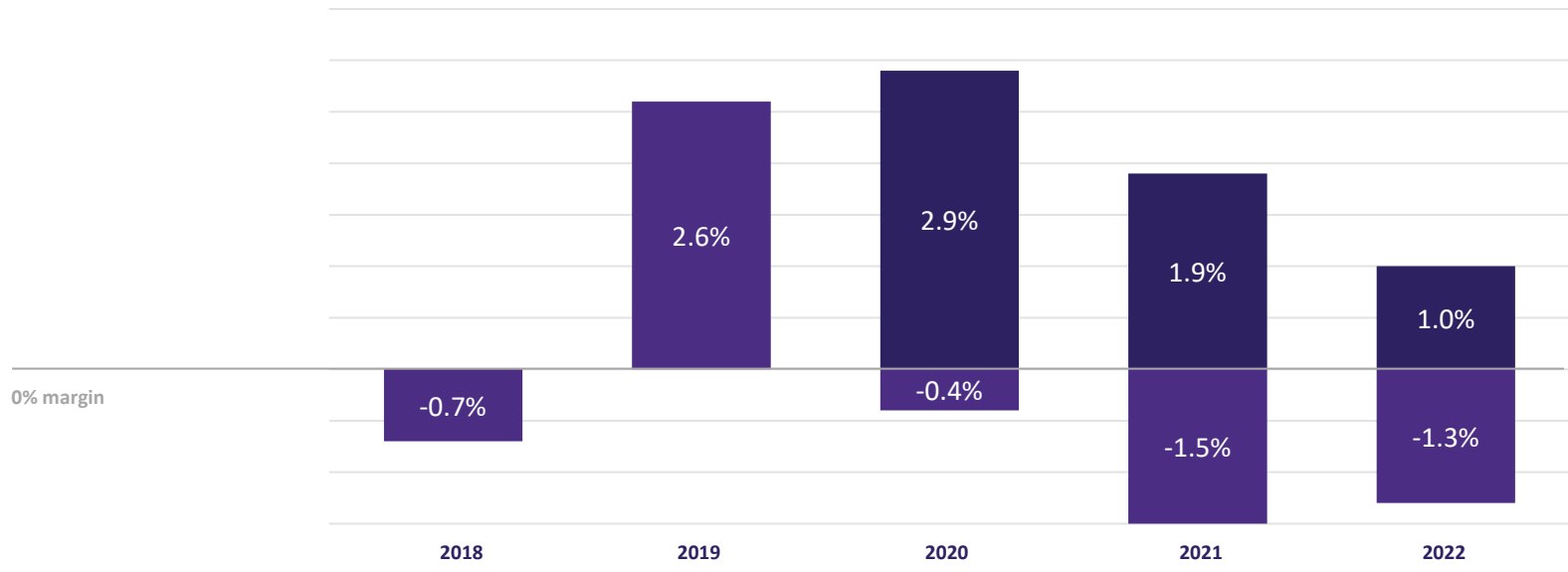
*Snapshot as of Aug. 10, 2022.



HISTORICAL BUDGET PERFORMANCE

HARBORVIEW MARGIN FY18-FY22

■ Adjusted Margin % ■ Impact of Recovery Funding

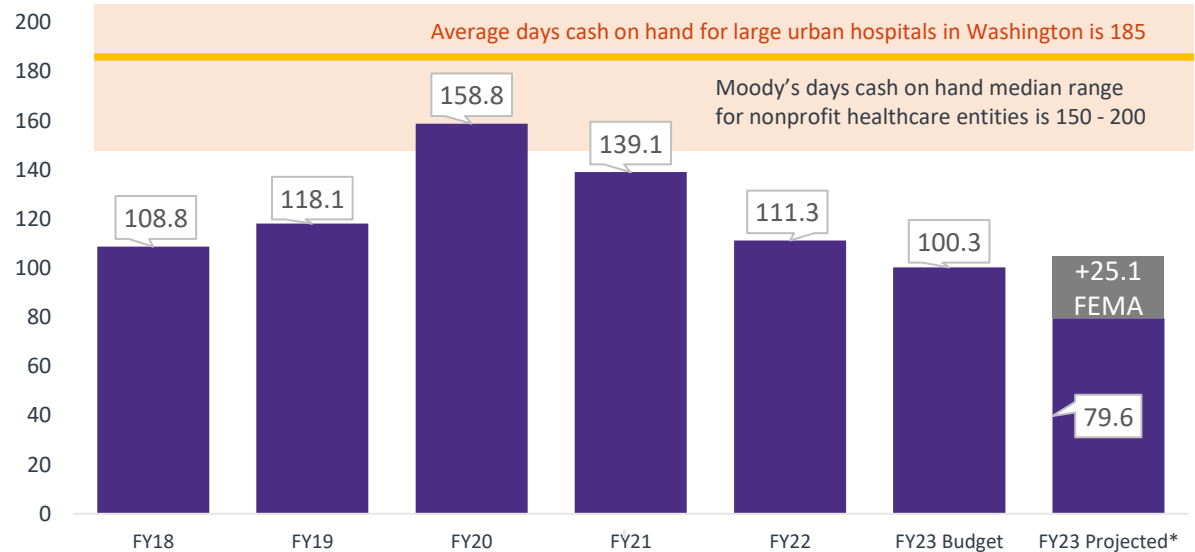


DAYS CASH ON HAND

Days cash on hand is a key indicator of a hospital's financial health and dictates its ability to respond to unforeseen circumstances and to reinvest in its system and programs. **If trends persist, Harborview will not be able to maintain current operations.**

*Forecasted FEMA cash receipts are estimated to occur February-June, which will result in an additional 25.1 days cash in projected FY23.

Harborview days cash on hand



*FY23 projections are preliminary estimates. Run rate projections do not include budgeted impact of volume growth, LOS improvement, CDI improvement, payer mix improvement, or any legislative requests.

MISSION FORWARD

UW Medicine's systemwide response has already started.

- Mission Forward is a systemwide initiative to ensure a future for UW Medicine that is financially stable, operationally efficient, promotes the well-being of our staff and faculty and advances our mission to improve the health of the public through high-quality, equitable patient care.

HARBORVIEW STRATEGIC PLAN



Serve Mission/
Improve Staff
Equality & Retention



Engage External
Partners To
Improve Care



Strengthen
Hospital Partner
Trauma Programs



Resource Strategic
Programs To Ensure
Financial Sustainability



Drive To Higher
Levels Of Efficiency

SELECT STRATEGIC INITIATIVES

Difficult to discharge

Certificate of need

Trauma rulemaking

Outpatient direct payment program

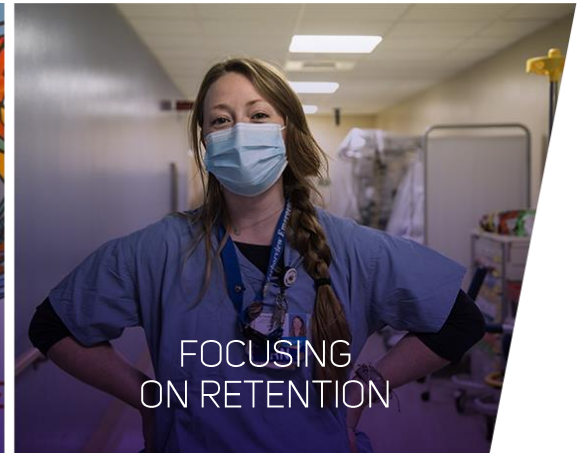
- \$13.5M improvement – 6-month estimate that goes into place Jan. 1, 2023


Legislative requests for funding

- Creation of an inpatient directed payment program
- Make permanent existing biennial funding
- Provide one-time funding in FY23-FY25



STAFF RECRUITMENT & RETENTION





BOARD OF TRUSTEES UPDATE

QUESTIONS?



THANK YOU

