

408

**SUBMITTAL TO THE BOARD OF SUPERVISORS
COUNTY OF RIVERSIDE, STATE OF CALIFORNIA**



FROM: Executive Office

SUBMITTAL DATE:
February 11, 2014

SUBJECT: Health Care Governance Committee (HCGC) and Riverside County Regional Medical Center (RCRMC) monthly financial and operational performance update. Receive and file consultant's report; approve and authorize Memoranda of Understanding between the County, Loma Linda University School of Medicine, University of California Riverside and Western University of Health Science.

RECOMMENDED MOTION: That the Board of Supervisors:

1. Receive and File the reports presented at the Board Workshop;
2. Approve and authorize the Chairman to sign the Memoranda of Understanding between the County and Loma Linda University School of Medicine, University of California, Riverside and Western University of Health Science; and,
3. Direct staff to return with academic affiliation agreements for Board approval.

Departmental Concurrence


Debra Cournoyer
Deputy County Executive Officer

FORM APPROVED COUNTY COUNSEL
BY:  NEAL R. KIPNIS
DATE: 2/24/14

FINANCIAL DATA	Current Fiscal Year:	Next Fiscal Year:	Total Cost:	Ongoing Cost:	POLICY/CONSENT (per Exec. Office)
COST	\$	\$	\$	\$	Consent <input type="checkbox"/> Policy <input checked="" type="checkbox"/>
NET COUNTY COST	\$	\$	\$	\$	

SOURCE OF FUNDS:	Budget Adjustment:
	For Fiscal Year:

C.E.O. RECOMMENDATION: **APPROVE**

BY: 
George A. Johnson

County Executive Office Signature

MINUTES OF THE BOARD OF SUPERVISORS

- A-30
- 4/5 Vote
- Positions Added
- Change Order

Prev. Agn. Ref.: 8/20/13 2-8, 9/23/13 4, 10/22/13 2-24, 11/26/13 2-12, 12/17/13 2-7, 1/28/14 2-5

District: All

Agenda Number:

16-3

RECEIVED RIVERSIDE COUNTY
CLERK/BOARD OF SUPERVISORS
2014 FEB 24 AM 10:31

SUBMITTAL TO THE BOARD OF SUPERVISORS, COUNTY OF RIVERSIDE, STATE OF CALIFORNIA
FORM 11: Health Care Governance Committee (HCGC) and Riverside County Regional Medical Center (RCRMC) monthly financial and operational performance update. Receive and file consultant's report; approve and authorize Memoranda of Understanding between the County, Loma Linda University School of Medicine, University of California Riverside and Western University of Health Science

DATE:, February 11, 2014

PAGE: 2 of 2

BACKGROUND:

Summary

On November 5, 2013 the Board of Supervisors approved the agreement with Huron Consulting Services, LLC, for implementation of hospital financial and operational performance and health system strategic plan programs. Huron will present their recommendation for an academic affiliation model and highlight some of the financial and operational programs implemented over the past four months. Huron will present an overview and the best approach for Riverside County.

The Executive Office recommends approval of the Memoranda of Understanding (MOU) between the County and each of Loma Linda University School of Medicine (LLUSM), University of California, Riverside School of Medicine (UCR) and Western University of Health Science (WUHS). Approval of the MOUs will commit the parties to working together over the next 90 days to develop specific goals and deadlines for the next two to three years; and, to realize shared commitments and responsibilities. Once completed, the amendments for each of the agreements will be returned to the Board for consideration.

In addition to the information presented by Huron, Riverside County Regional Medical Center (RCRMC) executive management will provide an update on revenue and expenses for the year, the monthly cash position and the budget plan for the current fiscal year as well as the next fiscal year.

Memorandum of Understanding (MOU) between
The County of Riverside, California ("The County")
and
Loma Linda University School of Medicine ("LLUSM")

in support of a Multi-Affiliate Academic Medical Center at
Riverside County Regional Medical Center and its related community clinics

This MOU is intended to identify the shared commitments and responsibilities of The County and LLUSM ("the Parties") as they work collaboratively toward the mutual goal of enhancing the health and health care of the citizens of Riverside County through the integration of clinical care, education, research, and public health.

For its part, LLUSM

- agrees to develop its faculty and clinical strategy in collaboration with The County in support of the clinical needs of the citizens of Riverside County, with a particular focus on (but not limited to) The County's pediatric clinical programs, with intention to explore the development of a Loma Linda University Children's Hospital within Riverside County Regional Medical Center, and
- commits to partner with The County to ensure that the clinical, education, and research missions are strategically oriented and aligned to foster program growth, financial stability, and optimized health outcomes at both the individual and population levels.

For its part, The County

- agrees to provide access to its inpatient and ambulatory care facilities (both hospital and community based) for LLUSM faculty to deliver care, teach, and do research, particularly population health research, and
- commits to a joint planning process with LLUSM as well as other academic affiliates to ensure both alignment and long-term commitment to agreed upon clinical, education and research roles and role relationships, and
- commits to partner with LLUSM to help ensure that its clinical and academic programs meet the accreditation criteria for both medical student (LCME) and resident education (ACGME).

The Parties further mutually agree to work together over the next 90 days to develop addenda to this MOU outlining specific goals and deadlines for the next 2-3 years to realize these shared commitments and responsibilities.

Agreed by both parties on this 25th Day of February, 2014, and signed by

Jeff Stone, Chairman
Riverside County Board of Supervisors

LLUSM Dean

FORM APPROVED COUNTY COUNSEL

BY: Neal R. Kipnis
NEAL R. KIPNIS

2/24/14
DATE

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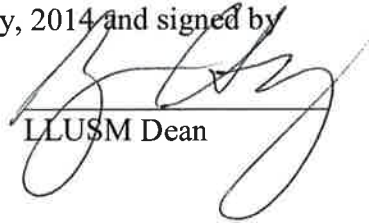
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2/24/14

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G. Richard Olds, M.D., Dean
UCR School of Medicine

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G. Richard Olds, M.D., Dean
UCR School of Medicine

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NEAL R. KIPNIS

DATE 2/25/14

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Western University of Health Sciences ("WesternU")

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This MOU is intended to identify the shared commitments and responsibilities of The County and WesternU ("the Parties") as they work collaboratively toward the mutual goal of enhancing the health and health care of the citizens of Riverside County through the integration of clinical care, education, research, and public health.

For its part, WesternU

- agrees to develop its faculty and clinical strategy in collaboration with The County in support of the clinical needs of the citizens of Riverside County, with a particular focus on (but not limited to) The County's orthopedic and anesthesia clinical programs, and
- commits to partner with The County to ensure that the clinical, education, and research missions are strategically oriented and aligned to foster program growth, financial stability, and optimized health outcomes at both the individual and population levels.

For its part, The County

- agrees to provide access to its inpatient and ambulatory care facilities (both hospital and community based) for WesternU faculty to deliver care, teach, and do research, particularly population health research, and
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Provost/COO, WesternU

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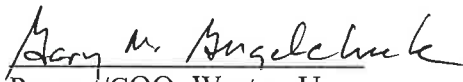
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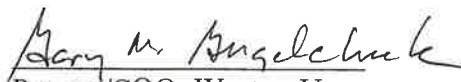
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Provost/COO, WesternU

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Riverside County Board of Supervisors Workshop

Riverside County Regional Medical Center: Recommended Clinical Academic Affiliation Model

February 25, 2014

Main Goals for Today's Meeting



- Review Clinical Academic Affiliation Models
- Recommended Clinical Academic Affiliation Model
- Next Steps
 - Approve Memoranda of Understanding

Table of Contents

Topics for Review

1. Current Issues Facing RCRMC's Clinical Academic Affiliation Model
2. Proposed Clinical Affiliation Model
3. Overview of Academic Medical Centers (AMCs)
4. Evaluation Criteria and Key Issues for Proposed Model
5. Other Affiliation Models
6. Next Steps

Current Issues Facing RCRMC's Clinical Academic Affiliation Model



#1 Operational Complexity

- Multiple, but separate contractual agreements
- Interdependency of RCRMC, Loma Linda, UCR, and Western for clinical campus/medical residents
 - Publicly owned facility



- #6 Leverage of Branding
- Current RCRMC use of academic affiliation branding is minimal, potential affiliations have branding value

#5 Decision Making Flexibility

- Current model lacks integrated strategy, leading to fragmented decision making between RCRMC and its academic partners

To provide superior quality health care to Riverside County residents with a special focus on individuals and populations in need.

#4 Financial Implications

- Challenging payor mix
- Providing care for indigent population
- Low Graduate Medical Education (GME) reimbursement, due to a low Medicare population at RCRMC

#2 Alignment of Missions/Goals

- Previous affiliations established under different reimbursement environment for RCRMC
 - Some stakeholders
- missions are broader than RCRMC's:

#3 Quality of Care

- Academic environment opens physicians to be reviewed by their peers and residents, which can lead to improved quality outcomes
 - Integration of care across services and locations is challenging for both individual and population health care

Key Question: What academic affiliation model will best position RCRMC in the short *and* long term?

Recommended Clinical Affiliation Model for RCRMC: Strategic Multi-Affiliate Model



Current State



Recommended Model



Key Takeaway:
 Mutual agreement and collaboration has been established between
 academic affiliates in order to benefit:
 Riverside County residents, Riverside County Health System, and
 Academic Affiliates

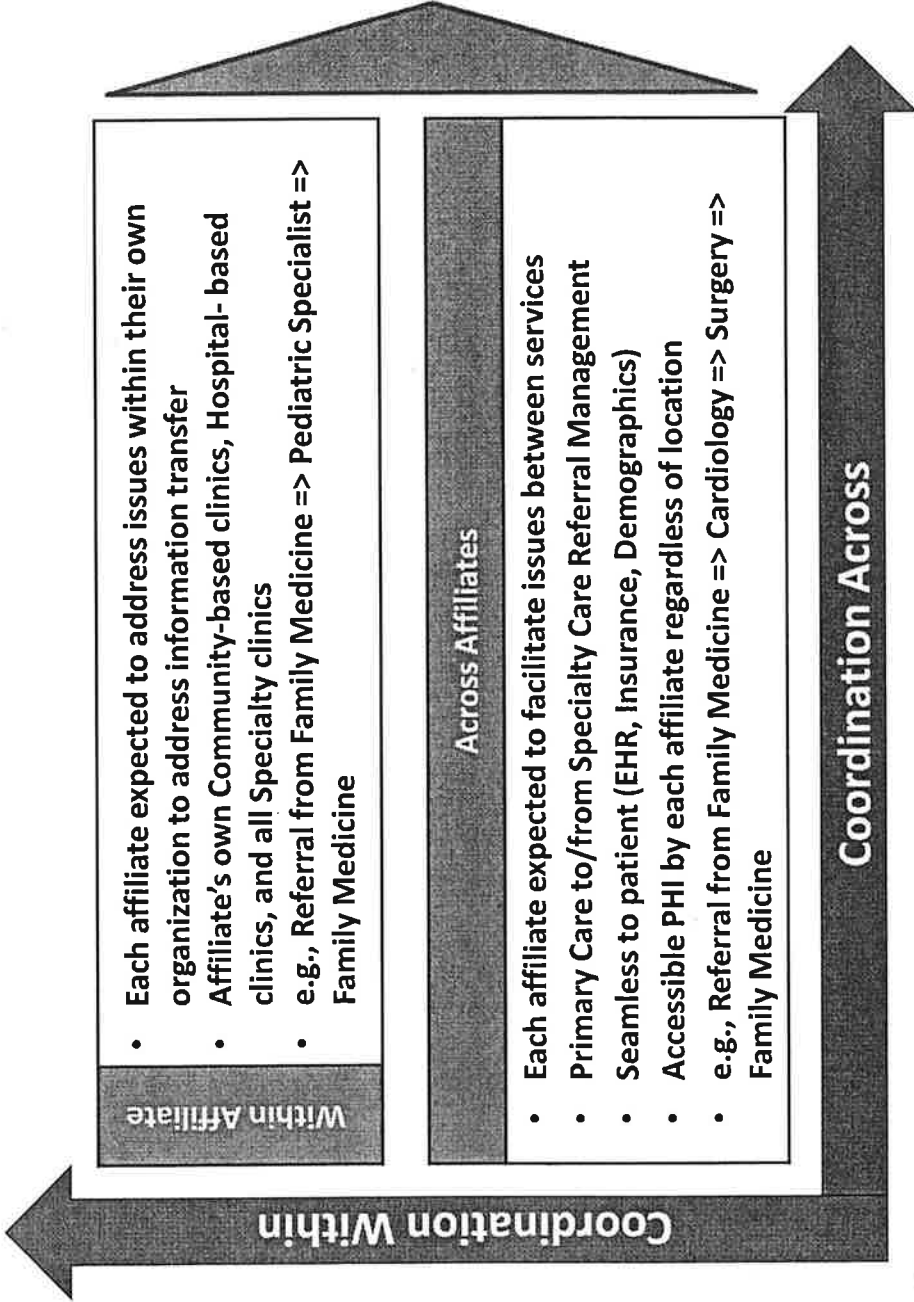


How is the Strategic Multi-Affiliate Model Different than the Current State?



- Affiliations enhance the completion of RCRMC's strategic goals, performance improvement and operational objectives
- Collaborative, interdependent approach with mutually beneficial outcomes
- Bring clear focus to Riverside County's residents' health care management and delivery needs
- Will encourage affiliate to grow clinical programs; keep care costs lower and improve care accessibility & delivery in Riverside County
- Short-term decisions positively impact current state; providing potential longer term partnership opportunities

Coordination Expected Within Organization and Across Affiliates With Focus on Patient Care



Definition of an Academic Medical Center (AMC)



Medical Center with one or more of the following:

- a formal affiliation with at least one medical school – the clinical training site for students and residents
- a teaching program with multiple ACGME/AOA approved residencies slots (allopathic/osteopathic)
- formal research portfolios ideally with National Institute of Health (NIH) funding
- physician/providers with faculty appointments who have teaching obligations and/or formal research programs
- medical school department chairs either serve as or appoint the chiefs of service

Issues Facing AMCs Today



Benefits

Synergy of Missions

Affiliate partners(s) advocate your mission and can increase your awareness throughout the community

Quality of Care

Peer review of physicians by peers and students often leads to improved performance¹

Fundraising / GME Reimbursement

Coordinated fundraising efforts and GME reimbursements

Physician Recruitment / Retention

Physicians often reside and practice in the same region where they complete their residency training

Education / Research

Research outcomes can lead to improved population health benefits

Residents provide hospital coverage and teach students

Branding

Affiliate partnerships can strengthen a hospital's name recognition and market position

Challenges

Declining State and Federal Appropriations

State and federal budget cuts are reducing direct appropriations as well as both GME/education and NIH / research support

Mission Subsidization

The above is doubly challenging because the clinical mission has historically subsidized the education and research missions

Moving from Volume to Value

Primary care referrals will increasingly go to value-based providers

Declining Workforce

As the physician workforce continues to decline, the response has been to increase medical school enrollment with minimal consideration for increased residency slots

Source:

¹ Haesler W.K. Why we should care about medical education. HMO Magazine.

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GME Program Benefits



Graduate Medical Education programs offer many potential benefits for the community and entities involved

Population Health Benefits

- Improved primary and specialty care access for indigent & underserved populations
- Enhanced ability to meet community needs
- Gains in care quality (i.e. coordination of inpatient and outpatient services)

Hospital Benefits

- Additional higher skilled, yet cost-effective in-house coverage
- High acuity case mix provides a robust training environment for residents
- Teaching hospital designation provides reputational benefits

Physician Benefits

- Training programs can serve as a pipeline for recruitment for growing practices or practices facing attrition
- Teaching opportunities can increase the overall professional satisfaction of medical staff

Economic Benefits

- Medicare reimbursement & higher professional fees
- Lower clinical coverage costs (Residents vs. Physicians or Physician Assistants)
- Residents are more likely to practice in the area where they trained: over past 5 years, 103 residents who trained at RCRMC now practice medicine in Riverside County ¹
- Lower recruiting costs

¹ Source: RCRMC GME Office

Evaluation Criteria and Key Issues for Strategic Multi-Affiliate Model



Evaluation Criteria	Considerations	Key Benefits / Challenges
1. Operational Complexity	How difficult will the proposed model be to implement relative to timing, operational, legal, financial, employee, and accreditation concerns?	RCRMC must proactively manage its strategy with UCR, Loma Linda, and Western
2. Mission Alignment	Is there mutual commitment to a population based health focus that meets the needs of all Riverside County residents?	Leverage existing partners and tie into County mission of providing quality care to residents of Riverside County
3. Quality of Care	How will changes in affiliations support or challenge delivery of high quality care?	Maintain current relationships with Loma Linda, Western University, and UCR to provide high quality care with improved focus towards community / population health care needs
4. Financial Implications	How will the academic affiliations lead to improved financial performance?	Multi-affiliate model limits financial commitments and risks; RCRMC must set expectations for business development and growth with partners
5. Decision-making Flexibility	How can RCRMC keep future options open as internal/external circumstances evolve?	Already have a level of familiarity with existing process and protocols, allowing for flexibility as future circumstances change
6. Leverage Branding	How will RCRMC be able to leverage the brand(s) for maximum benefit?	Existing partners have strong clinical and academic brands that can be advantageous to RCRMC

Affiliation Models Not Selected

<i>Academic Affiliation Models Not Selected</i>			
Single Affiliate	Consortium Affiliation	Joint Powers Authority	Asset Acquisition

Next Steps



- Approve Memoranda of Understanding
- Delegate the Development of Implementation Plans
- Next Progress Update by June 30, 2014



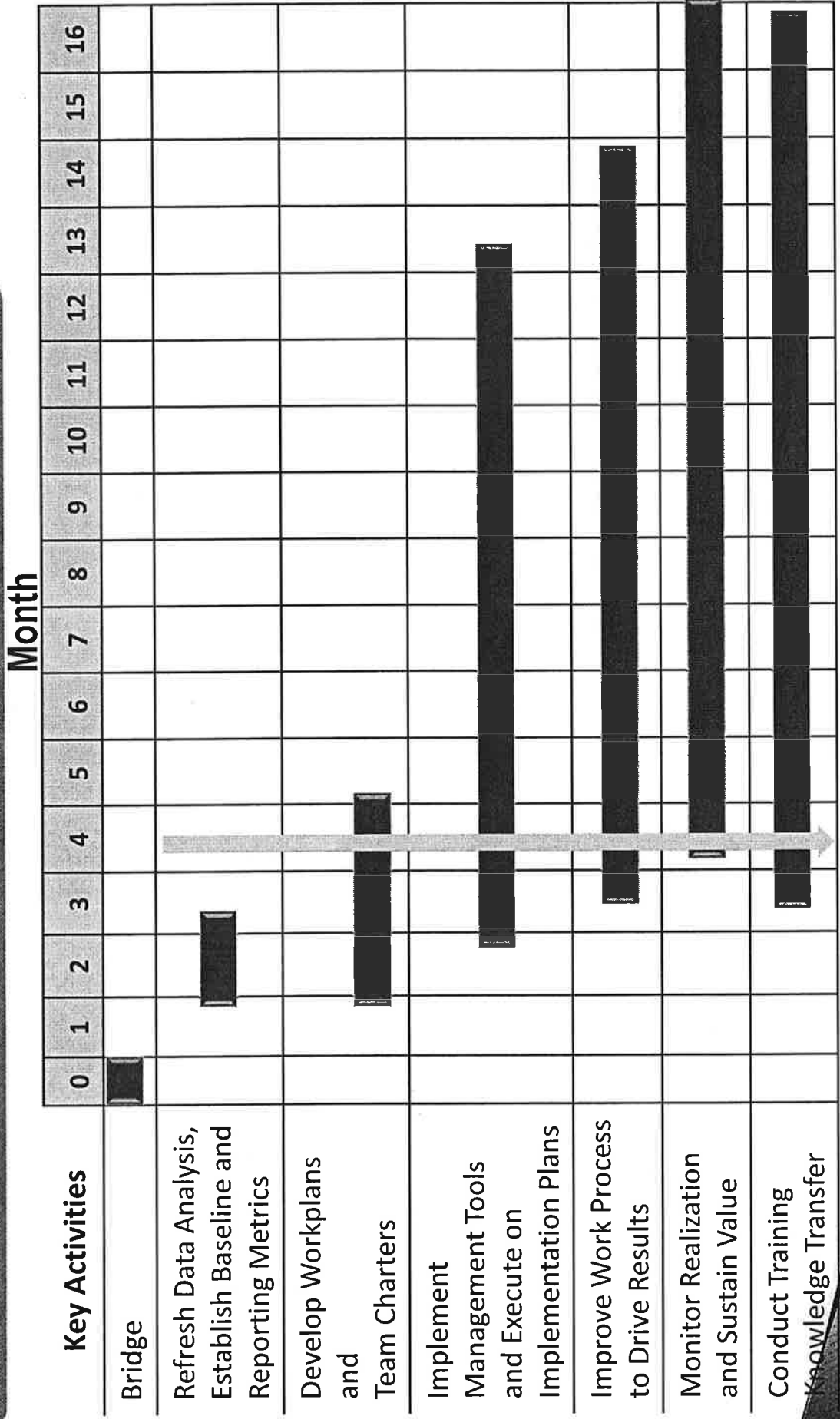
Board of Supervisors Engagement Update

February 25th, 2014

Agenda

- Implementation Timeline
- Activity Highlights
- Financial Benefit “Big Board”
- Benefit Projection
- RCRMC 2014 Revenue & Expenses
- Cash Position
- Budget Plan

Overview: Implementation Timeline



We are here

Activity Highlights



Non-Labor

- Reinstitution of 340B pricing program: previously RCRMC was purchasing at WAC pricing; by registering RCRMC, Arlington and Neighborhood Pharmacies, RCRMC is now able to purchase under the 340B drug purchase program producing product savings of up to \$9.5M
- \$3M optimized outpatient drug product selection based on nominal pricing and generic product availability
- Renegotiation of blood products and services pricing with Lifestream for expense reduction of \$413k annually.

Labor

- 140+ RCRMC managers and supervisors have completed productivity management training focused on tools and strategies designed to more closely align staffing levels with a variable demand
- Completed and implemented redesigned position review process; process focuses on hiring decisions based on objective metrics enabling comprehensive management of new hire, back-fill and attrition-related labor expense

Activity Highlights



HR

- Decreasing hiring cycle time - Identified process improvements that will result in reduction of time-to-fill for open positions by 45 days therefore decreasing reliance on premium labor expense (OT and Agency)

Revenue Cycle

- Established new processes to improve billing and collection of insurance claims improving timely filing

Financial Benefit – “Big Board”

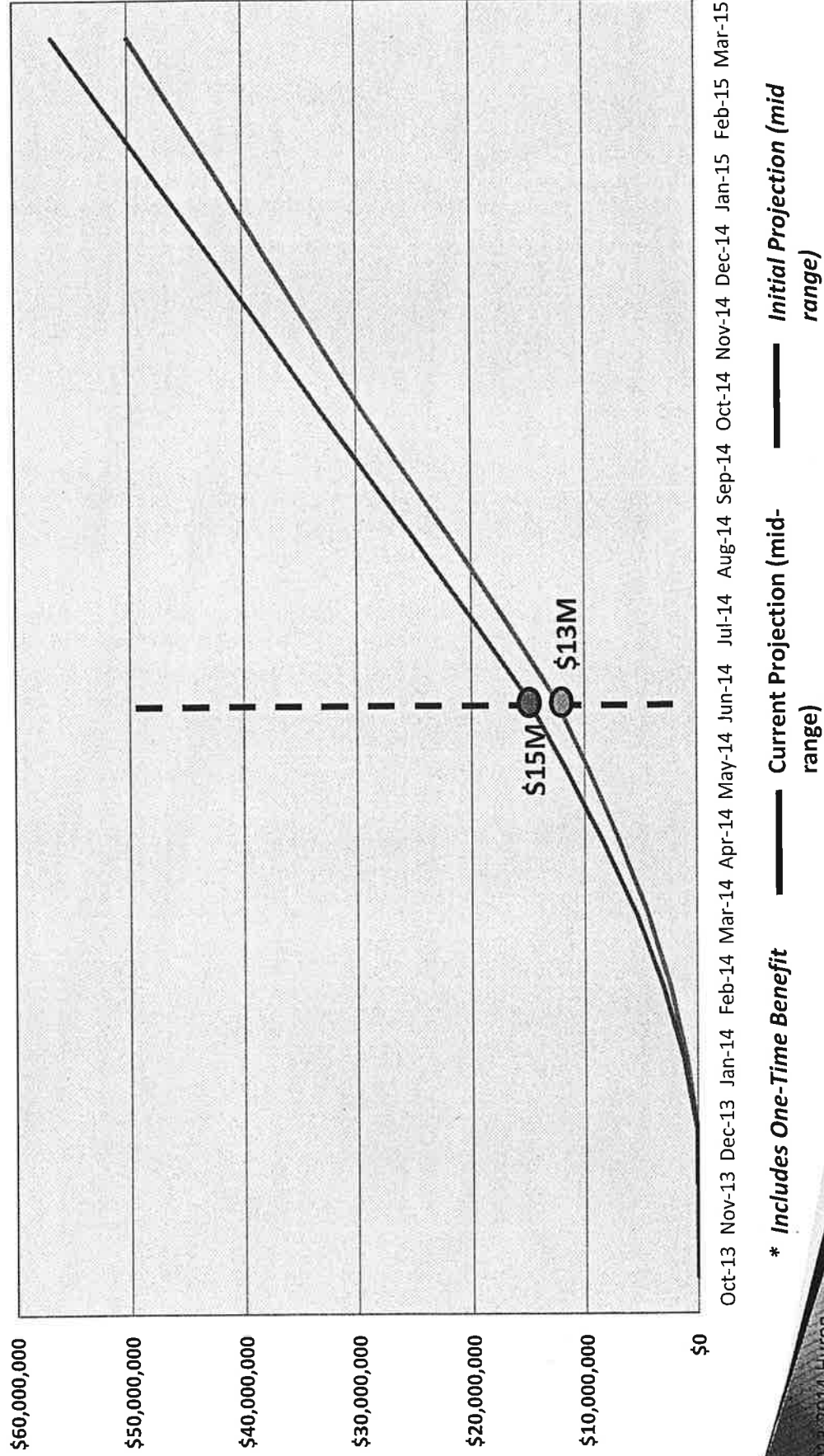


Initiative	Annual Benefit			
	Low	Mid	High	Implemented
Non-Labor	\$ 13,185,000	\$16,630,000	\$20,075,000	\$22,024,681
Labor	\$ 8,948,000	\$11,017,000	\$13,086,000	\$10,835,899
HR	\$ 4,000,000	\$ 5,500,000	\$ 7,000,000	\$2,803,900
Ambulatory Physician Solutions	\$ 9,600,000	\$11,300,000	\$13,000,000	
Revenue Cycle	\$ 5,000,000	\$ 6,000,000	\$ 7,000,000	\$5,000,000
CDI	\$ 650,000	\$ 675,000	\$ 700,000	
Clinical Operations	\$ 3,600,000	\$ 4,400,000	\$ 5,200,000	
Total Recurring	\$ 44,983,000	\$55,522,000	\$66,061,000	\$40,664,480
RC ICB	\$6,000,000	\$7,000,000	\$8,000,000	\$7,000,000
Total Benefit	\$50,983,000	\$62,522,000	\$74,061,000	\$47,64,480
				\$13,584,451

Benefit Projection



Total Cumulative Benefit

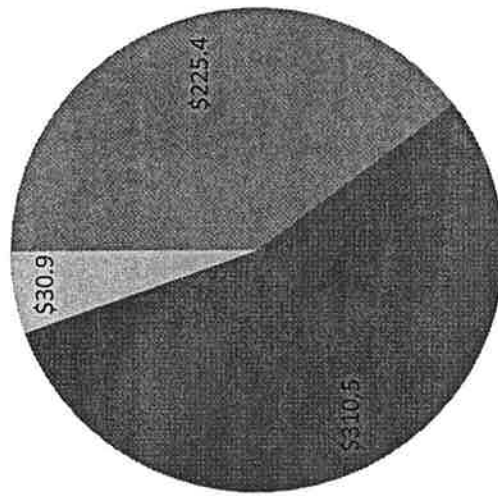


RCRM 2014 Revenue and Expenses



Revenue

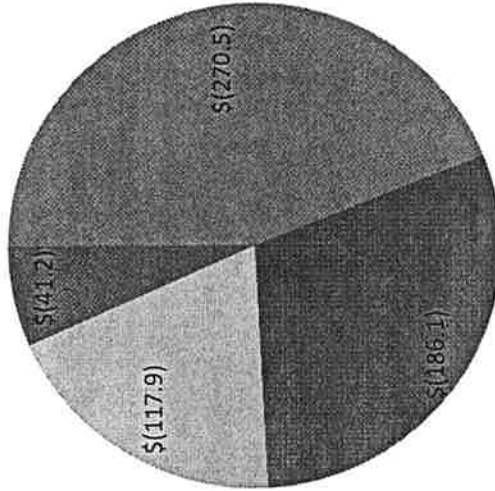
- Revenue from Patients:
- Supplemental Payments State:
- Other Revenue:



\$566.8 million

Expenses

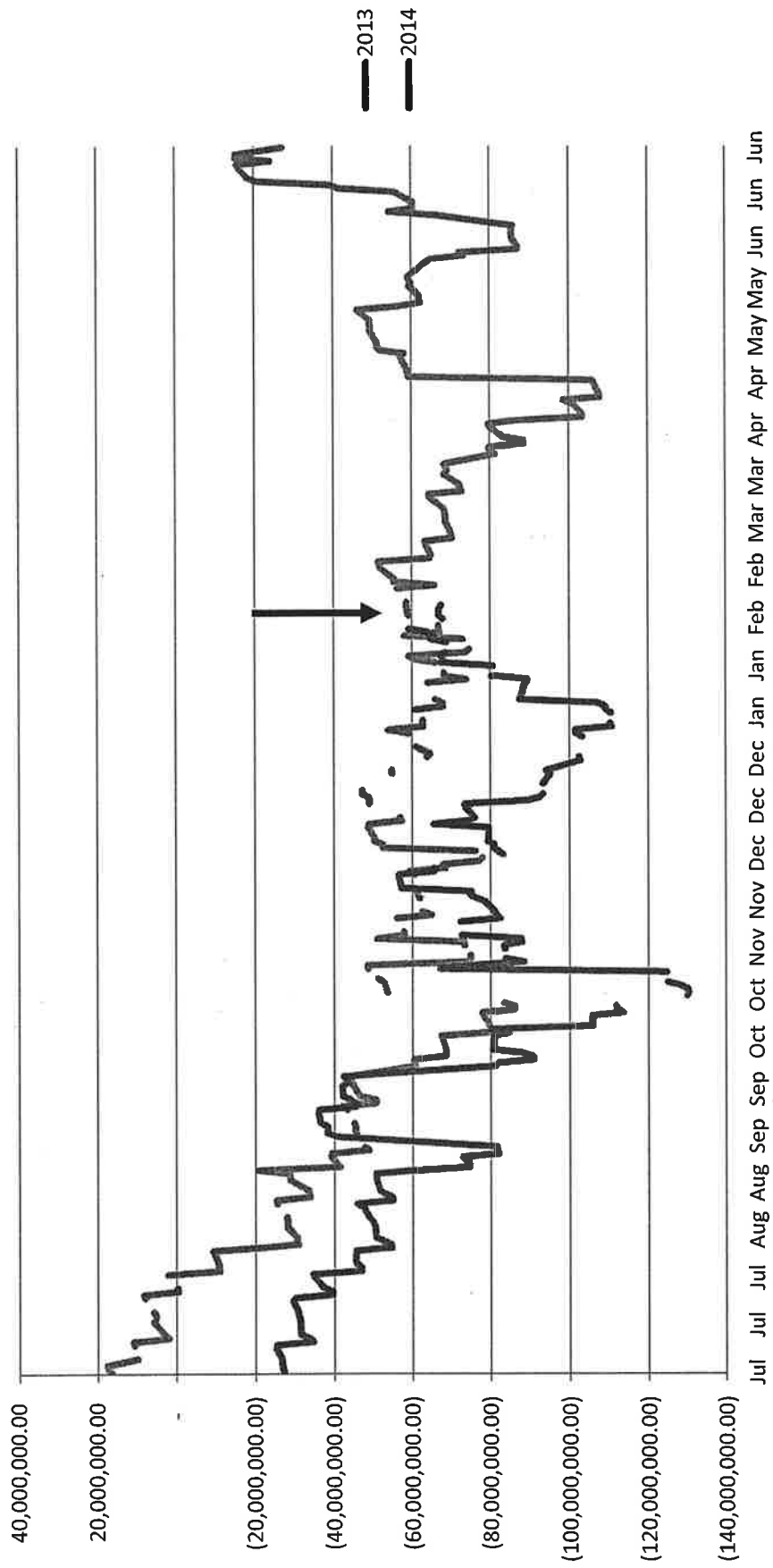
- Salaries + Benefits
- Services + Supplies
- Waivers
- Other



\$615.7 million

Budget shortfall \$48.9 million

Daily Cash Position



Fiscal Year 2013 vs. Fiscal Year 2014

Monthly Cash Position



	Cash Projection August 2013	Cash Projection January 2014	Change
Revenue from Patients	\$213.8	\$225.4	\$11.5
Supplemental Payment State	\$308.2	\$310.5	\$2.4
Other Revenue	\$24.1	\$30.9	\$6.8
TOAL CASH IN	\$546.1M	\$566.8M	\$20.7M
Expenses	(\$602.2)	(\$615.7)	(\$13.5)
Cash Beginning	(\$27.1)	(\$27.1)	-
Cash Change from Operations	(\$56.1)	(\$48.9)	\$7.2
Cash June 30, 2014	(\$83.2)	(\$76.0)	\$7.2

Budget Plan



Current Yr.	
Operations	(\$48.9M)
Huron and RCRMC Effect	\$13.0M
TOTAL	(\$35.9M)

Next Yr.	
Carry Over	(\$35.9M)
FY 14/15 Negotiated Increases	(\$ 9.6M)
Huron and RCRMC Effect	\$47.5M
Assumed State Take-Back	(\$16M)
TOTAL	(\$ 14M)



Reinvesting

OUR FUTURE

