
Rural Health Care Forum

CHALLENGES AND OPPORTUNITIES OF HEALTH CARE ON WHIDBEY

The forum will begin shortly

Rural Health Care Forum

- The Challenges of Rural Hospitals Statewide
- Impact to Veterans' and Dependents' care at WhidbeyHealth
- Transition underway at Naval Health Clinic Oak Harbor
- WhidbeyHealth – from the brink to today
- Questions/Answers – care today and tomorrow

Participants and Collaborators

- Eric Lewis – CFO, WSHA (WA State Hospital Association)
- Patricia Rose, M.S. Ed. – Patient Advocate & Public Affairs, Naval Health Clinic Oak Harbor
- Dana Sawyers – Program Coordinator, Whidbey Veterans Resource Center
- Nathan Staggs – CEO, WhidbeyHealth
- James Golder – Commissioner, Whidbey Island Public Hospital District

The Challenges to Rural Hospitals Statewide





Washington State
Hospital Association



Rural Health Care Forum: The Challenges and Opportunities of Health Care on Whidbey

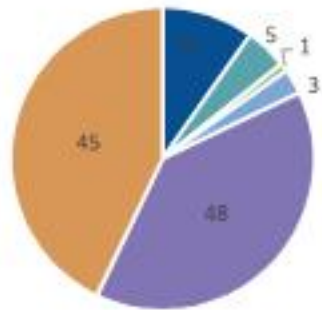
Eric Lewis, CFO WSHA

June 22, 2023



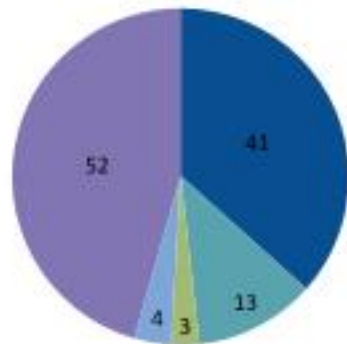
WSHA Membership: Proud to Represent All 114 Hospitals

WSHA MEMBER HOSPITALS BY SERVICE

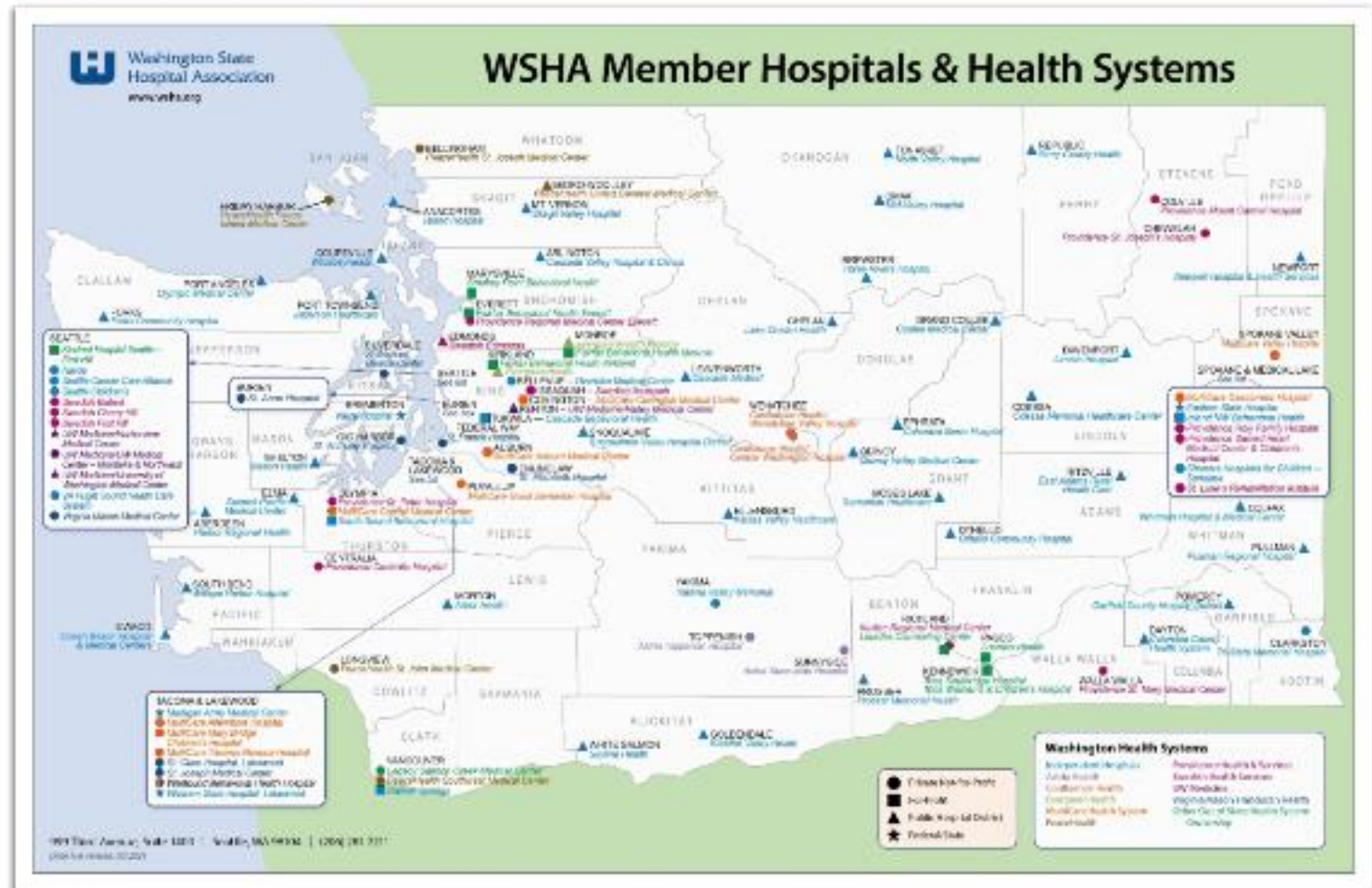


- Behavioral Health
- Children's
- Long Term Acute Care
- Military/Veterans
- Rural
- Urban

WSHA MEMBER HOSPITALS BY TYPE



- PHD
- For-Profit
- Military/Veterans
- County/State
- Non-Profit



Washington State Acute Care Hospitals

Income Statement

12 Months ending December 31,
2022 and 2021

Standard and Poor's: For a healthy bond-rating, hospitals' operating margins should be 4-5%. For an excellent bond rating, a margin of at least 6% is recommended.

Data aggregated from the COVID Financial Survey distributed in March 2023 and includes 81 acute care hospitals in Washington which represent 98% of available acute care beds.

Description	January - December 2022	January - December 2021	% Change Prior Year
Total Operating Revenues	\$ 30,663,655,205	\$ 29,245,653,842	5%
Employed Wages & Benefit Costs	\$ 16,229,961,721	\$ 15,331,484,140	6%
Agency Traveler Costs	\$ 1,885,916,722	\$ 857,909,620	120%
Supplies, Drugs, Purchased Services, Depreciation, and Other Expenses	\$ 14,673,594,918	\$ 13,798,571,334	6%
Total Operating Expenses	\$ 32,789,473,360	\$ 29,987,965,094	9%
Operating Income & Margin			
Net Operating Income (Loss)	\$ (2,125,818,155)	\$ (742,311,252)	186%
Operating Margin	-7%	-3%	
Non-Operating Rev/Loss			
Net Non-Operating Revenues (Losses)	\$ (920,134,912)	\$ 1,161,945,556	-179%
COVID Relief			
COVID Relief	\$ 322,648,838	\$ 798,397,581	-60%
Net Income			
Net Income (Loss)	\$ (2,723,304,229)	\$ 1,218,031,885	-324%
Net Margin (with COVID Relief)	-9%	4%	

Why Nonprofit and Governmental Hospitals Need a Small Margin (3-5%)

- Hospitals are very capital intensive, investments in building, equipment and technology are necessary to maintain standards of care
- To make principal payments on long-term debt which was primarily issued to pay for buildings and equipment
- To maintain reserves which are used during emergencies and financially challenging times
- To start new services and to spend funds on strategic priorities and community needs

Critical Access Hospital (CAH) versus an Urban Hospital

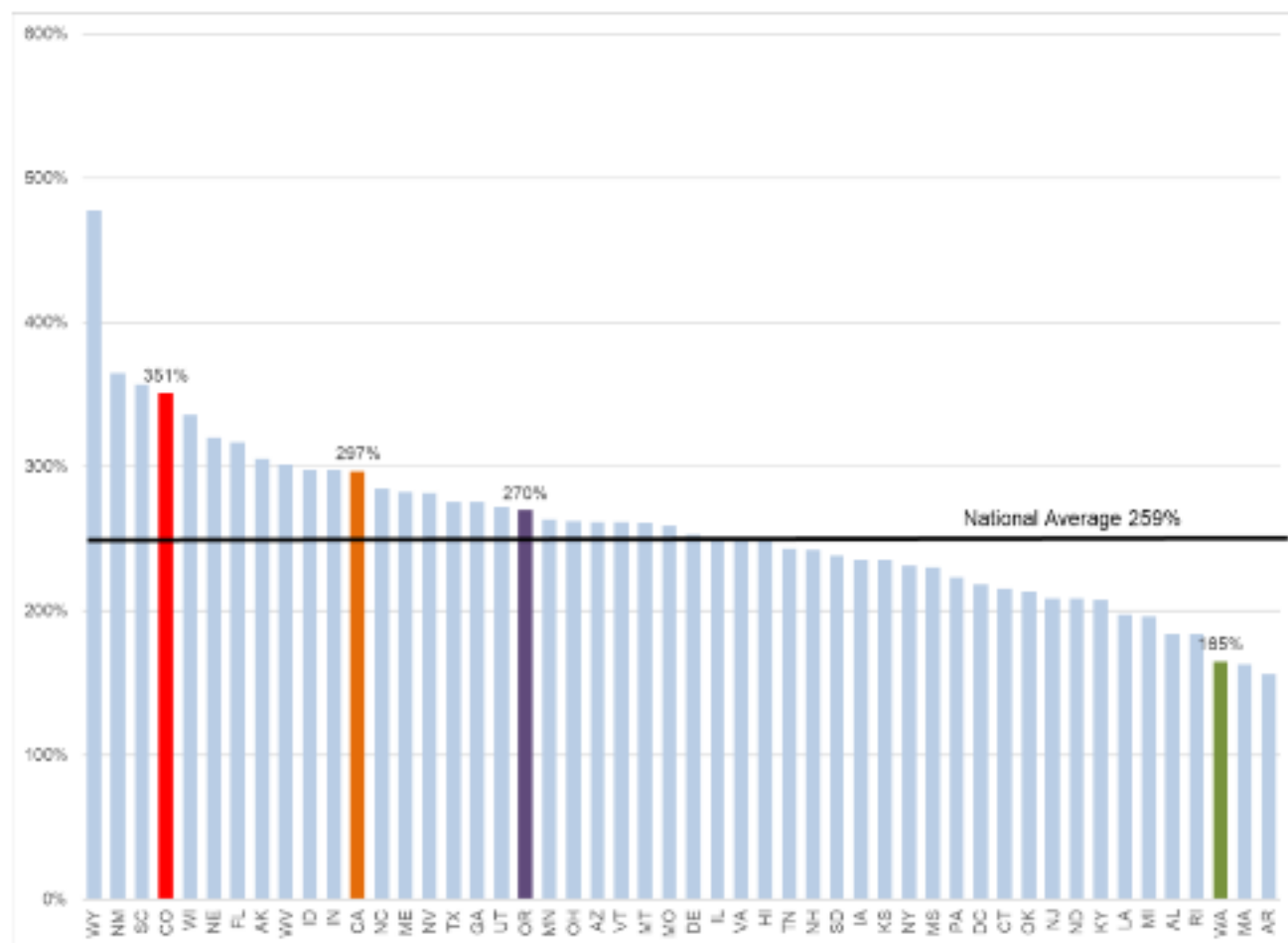
- **Critical Access Hospitals**

- Created in 1997 to help rural hospitals survive (39 CAHs in Washington State)
- Limited to 25 inpatient beds and 96 hours or less average length of stay for acute care inpatients
- Must be located 35 miles from another hospital (exceptions may apply)
- Provide 24/7 emergency care services
- Cost-based reimbursement for allowable costs to provide hospital services (professional and certain services, such as home health and skilled nursing, excluded from cost-based)

- **Urban Hospitals**

- Generally much larger – 250 to 500 beds
- Large population base
- Prospective Payment System – fixed reimbursement from Medicare and Medicaid
- Significant higher number commercial patients that pay above costs (can be double or more)
- Economies of scale and much larger population based to recruit work force

Hospital Price Levels in WA State are Relatively Low: Commercial Payment Levels vs. Medicare Payments (RAND 2022)



Rural Hospital Income and Expenses

- **Rural Hospital Payor Mix (patients on average are older and poor than urban hospitals patients)**
 - More Medicare (55-65%)
 - More Medicaid (15-30%)
 - Less Commercial (10-20%)
- **Rural Hospital Expenses**
 - Workforce is by far largest expense (55%-70%)
 - Supplies and pharmaceuticals (around 20%)
 - Depreciation and interest expense (capital / around 10%)
 - Other costs (10%-15%)

Major Challenges facing Rural Hospitals in Washington State

- **Lower than cost reimbursement from Medicare and Medicaid**
- **Workforce shortages for all positions**
- **Inflation far greater than reimbursement increases**
- **Difficult to discharge patients – Timely transfer of patients needing advanced services**
- **Huge mental health and addiction issues**

Solutions to the Major Challenges

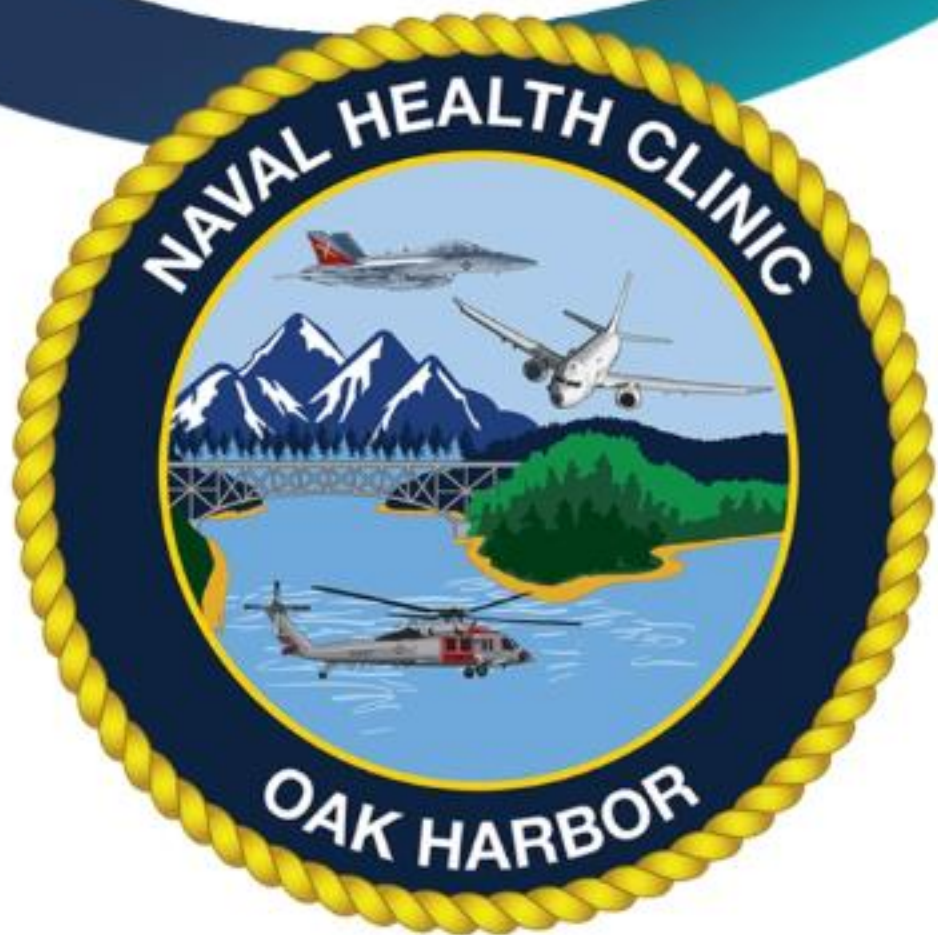
- **Medicare and Medicaid funding**
 - Medicaid – HB 1850 passed in this legislative session so additional reimbursement coming in 2024
 - Medicare – stop reimbursement cuts
- **Workforce shortages for all positions** – invest in training programs at the federal, state and local level
- **Inflation far greater than reimbursement increases** – control inflation and reimbursement increases must keep pace with inflation
- **Difficult to discharge patients** – investments in the post-acute care delivery system and invest in solutions to move patients that do not need to be there out of hospitals
- **Behavioral health treatment system** – investments at federal, state and local level



Impact to Veterans' and Dependents' Care at WhidbeyHealth

Transition Underway at Naval Health Clinic Oak Harbor





Rural Health Summit

Trish Rose, NHCOH

and

Dana Sawyers, Whidbey Veteran's
Resource Center

June, 2023

NAS Whidbey Island Units – Why we are here!



Electronic Attack



Tenants



Patrol and Recon



Big Changes In The Last Few Years

- The Department of Defense (DoD) **transferred management and administration of our military treatment facilities (MTFs)** from the Army, Navy, and Air Force –**to the Defense Health Agency (DHA).**
- Under the new operating model, **MTFs in a geographic area operate as groups called “markets”** – sharing patients, providers, functions, budget, and more. *We are in the Puget Sound Market along with Madigan Army Medical Center and Naval Hospital Bremerton.*
- Intent is to **improve coordination and delivery of health services** and create a seamless experience for patients.



DHA - What are the benefits of these changes?



- A **single agency accountable for the management and administration of all MTFs**. Increase effectiveness in matching care with individual patient needs, through military hospitals and clinics or through civilian providers in TRICARE networks
- The **ability to share best practices and innovations** rapidly across the system, in turn improving quality and safety for patients as medical care continues to advance
- **Standardization** of policies, processes, and technology, to provide a **better and more consistent patient experience**, from making an appointment to filling a prescription
- More robust **opportunities for our healthcare teams to build critical skills**
- **A way to control rising healthcare costs**

Puget Sound Market



Madigan Army Medical Center

- Allen Soldier-Centered Medical Home
- McChord Family Medicine Clinic
- Okubo Soldier-Centered Medical Home
- Puyallup Community Medical Home
- South Sound Community Medical Home
- Winder Soldier-Centered Medical Home



Naval Hospital Bremerton

- Branch Health Clinic Bangor
- Branch Health Clinic Everett
- Branch Health Clinic Puget Sound Naval Shipyard



Naval Health Clinic Oak Harbor



62nd Medical Squadron



Naval Health Clinic Oak Harbor – What We do



PRIMARY CARE

- Deployment Health
- Flight Medicine
- Family Medicine
- Internal Medicine
- Pediatrics

SPECIALTY SERVICES

- Immunizations
- Mental Health/SARP
- Nutrition
- Optometry
- Orthopedics
- Women's Wellness
- Physical Therapy

Respiratory Illness Clinic

- COVID
- Flu

DENTAL

- General Dentistry
- Endodontics
- Oral Surgery
- Periodontics
- Prosthodontics and Lab

CLINICAL SUPPORT

- Laboratory
- Diagnostic Imaging
- Pharmacy

PREVENTIVE SERVICES

- Occupational Health
- Preventive Medicine
- Industrial Hygiene
- Health Promotion

Proposed Future Initiative

- VA CBOC



NAVY MEDICINE PRIORITIES "THE 4 Ps"

PEOPLE

Our military and civilian workforce is our greatest strength.



PLATFORMS

Our equipment and capability sets required by our warfighters.



PERFORMANCE

Our performance is measured by our support to our warfighters.



POWER

Medical power projection will increase survivability.



Pivot to Readiness

In addition to providing healthcare delivery – MTFs also serve as **readiness platforms** to sustain the **readiness, currency and competency**, of medical personnel in support of operational platforms and wartime requirements.

Veteran Population



Island County has the highest # of Veterans per capita of the counties in WA

- Total population **86,857** Is County: Camano Is. 17,356 Whidbey Is. **69,353**
- **11,414** Veterans - **13%** of the Island County Population has served in Military/USCG

Less than 40% of the 11,414 are connected with VA benefits and VA healthcare options

- 4890 - 37.9% of Is. Co. Veterans receive compensation/service-connected benefits
- 3798 - 33.2% Veterans are connected with VA Healthcare (VA'in house' or Community Care)
- 62+% of Is. Co. Veterans are likely eligible for VA benefits - includes local care coverage

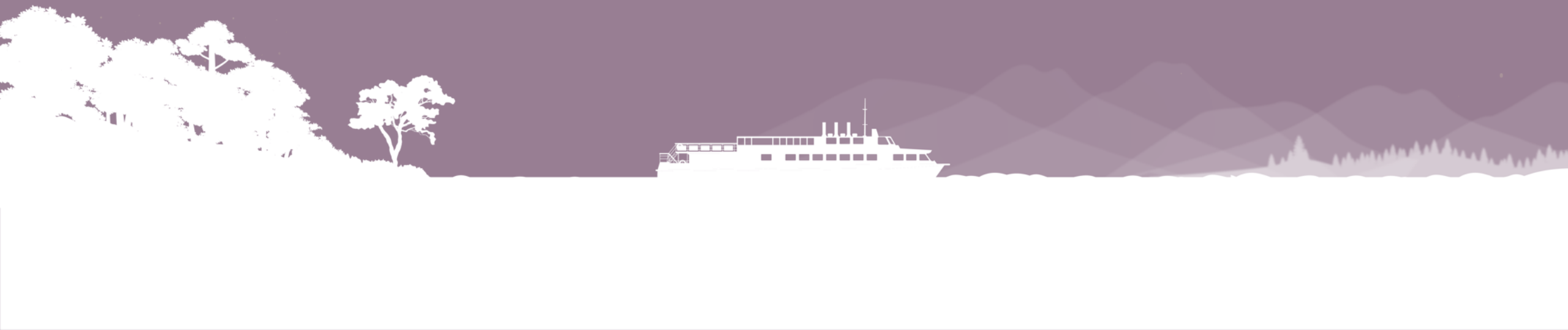
The Whidbey Veterans Resource Center is a 501c3 non-profit organization assisting Veterans to connect to benefits, access to the VA Healthcare System and other local supports to Veterans and their families.

In 3,880 contacts (2022) – 78% of contacts to the WVRC related to VA healthcare and service-connected comp claims

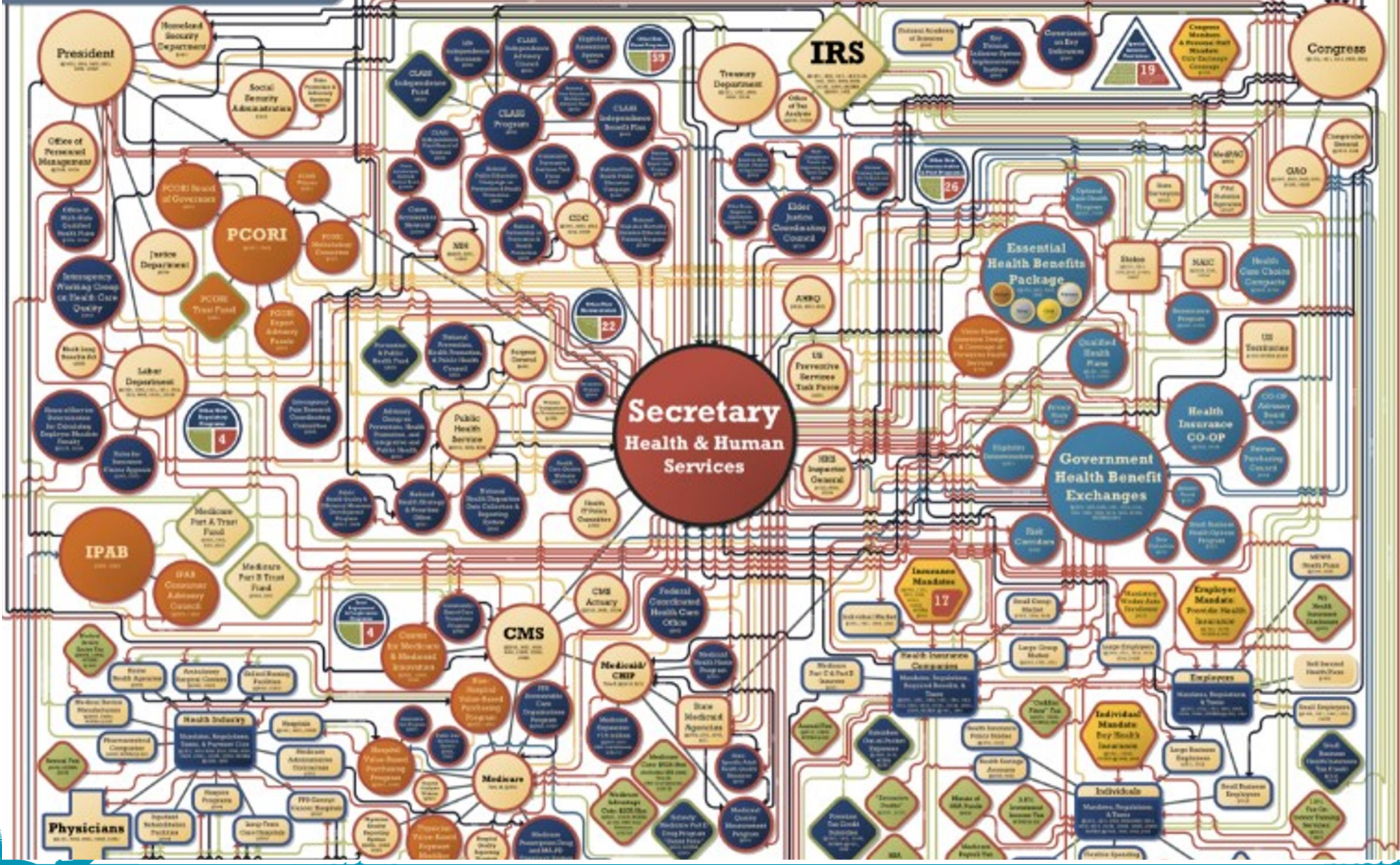
* Data Reference VHA
VGO/Census Data May 2023



WhidbeyHealth – from the brink to today



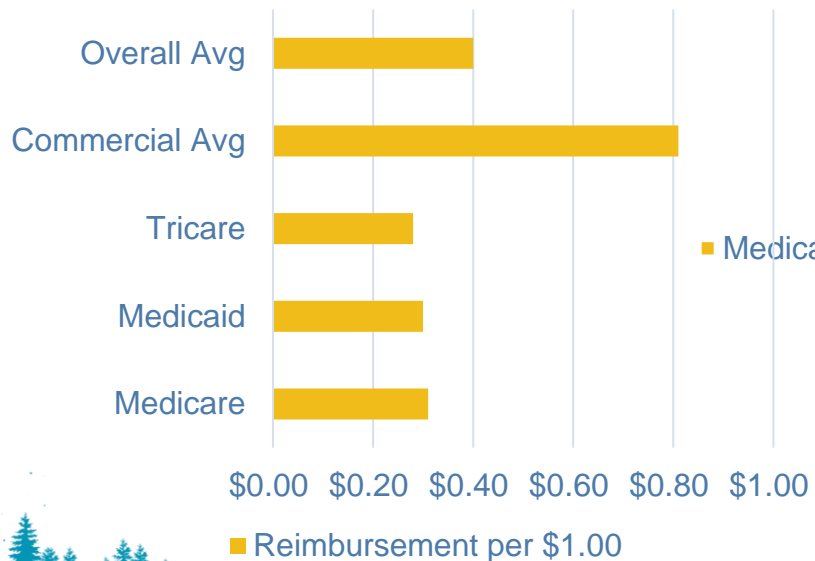
Your New Health Care System



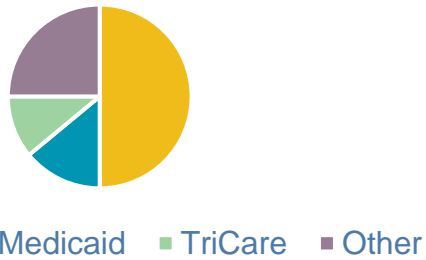
WhidbeyHealth – from the brink to today

- From the brink of closure to today
- Rural Health Care Finance

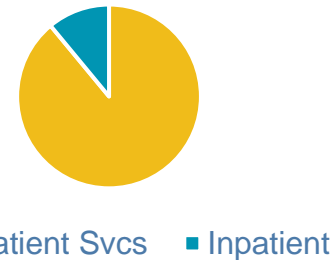
Reimbursement per \$1.00



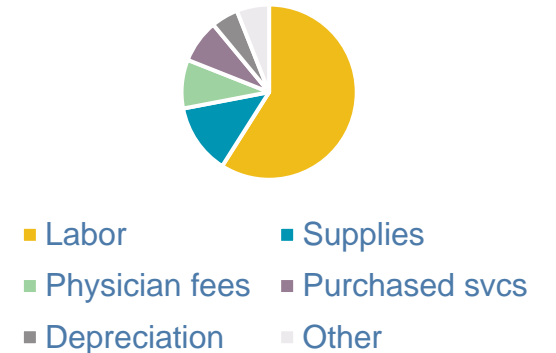
Payer Mix



Income



Oper. Expenses



WhidbeyHealth – from the brink to today

- What is next for WhidbeyHealth?

Questions & Answers

Rural Health Care Forum

Thank you

- Washington State Hospital Association – Eric Lewis
- Naval Health Clinic Oak Harbor – Patricia Rose
- Whidbey Veterans Resource Center – Dana Sawyers
- Whidbey Island Public Hospital District (WhidbeyHealth) – Nathan Staggs & James Golder
- Whidbey Island Democratic Club – Art Huffine & Bob Wolters