
LEE MEMORIAL HEALTH SYSTEM

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CAPE CORAL HOSPITAL

GULF COAST MEDICAL CENTER

HEALTHPARK MEDICAL CENTER

LEE MEMORIAL HOSPITAL

THE CHILDREN'S HOSPITAL

THE REHABILITATION HOSPITAL

LEE PHYSICIAN GROUP

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November 17, 2010

The Honorable Joe Negron
306 Senate Office Bldg.
404 South Monroe Street
Tallahassee, FL 32399

Senator Negron,

On behalf of Lee Memorial Health System, I am honored to present information to you for consideration in your important discussions regarding the Florida Medicaid program. We want you to know how important the Florida Medicaid program is to Lee Memorial Health System and to the communities we serve.

Lee Memorial Health System has the distinction of being the largest public health system in the State of Florida that does not receive direct tax support for funding our operations. Instead, we rely on the payments we receive from third parties who provide benefits to our patients in the form of Medicare, Medicaid, and commercial insurance. Through these funding sources, we are able to provide a full range of health care services in our area, including the only Level II Trauma Center, the only Level III Neonatology program, the only Children's Hospital, and a host of other vital services. We proudly served over one million patients this past year.

Thank for your consideration of the information we have included and hope that if you have any additional questions, we will have an opportunity to provide you with answers.

Sincerely,



Anne Rose

Vice President Revenue Cycle

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LEE MEMORIAL HEALTH SYSTEM

Lee Memorial Health System
Lee County, Florida
November 17, 2010 Senate Medicaid Discussion
Testimony by Anne Rose

Background of Anne Rose

Anne Rose is the Vice President of Revenue Cycle for Lee Memorial Health System and has nearly 30 years of extensive experience in healthcare provider revenue cycle programs, physician contract management, business negotiations, community partnerships, marketing, and internal and external communications for the 7th largest public health system in the United States, with four acute care hospitals, two specialty hospitals, a skilled nursing facility, home health, a 180-person employed physician group and 9,500 employees. Anne oversees extremely complex insurance contracts that impact the availability of products and carriers in the community and the billing and collections for the hospitals.

Anne is member of the National Roundtable for Managed Care Executives and Chief Revenue Officers, comprised of over 30 major health systems from all around the United States and often facilitates educational programs at the biannual meetings and serves as a sounding board for her peers. Anne has also been a featured speaker at the National Roundtable for Chief Financial Officers. Anne is also a member of the Florida Hospital Association of Managed Care Professionals (FAMCP) and has been since its inception in 1995. Anne has served on the Board of Directors for FAMCP in 1995 and again from 2005-2007 and served as President during 2006. Anne continues to serve on the Legislative Committee to help address industry issues.

Lee Memorial Health System

Lee Memorial Health System (LMHS) is the largest public health system in Florida with no local tax support. While our Board of Directors is publicly elected and we were created as a special district under the laws of Florida in 1966, no taxing authority was ever granted. This makes LMHS unique in that all revenues come from patient care. We have no local government subsidies or funding. When we were created we were told to run our health system as a business and we do, even though three out of every four patients we see today do not cover the costs of their care. That means those costs are shifted to the businesses in our area and across the State who are still able to provide health insurance.

Medicaid Managed Care for Lee County, Florida

Lee Memorial Health System (LMHS) has participated in Medicaid managed care products dating back to 1994 and has held contracts with companies such as PCA Century, Physicians Healthcare Plans, St. Augustine, Frontier, Foundation, AvMed, Florida 1st, Amerigroup, and WellCare. From April 1997 to July 1999, we accepted full risk for hospital services provided to Medicaid members enrolled in the Florida 1st products. In 2008, we entered into an arrangement with Prestige, a Provider Sponsored Network (PSN), who now has enrollment of approximately 27,000 members in Lee County and in 2009 we contracted with Integral, a PSN based in Collier County.

Over the years, many of the Medicaid HMOs have consolidated or been acquired by larger companies, so the current Medicaid Managed care contracts held by LMHS are with Amerigroup, Wellcare,

Prestige, and Integral. LMHS has a history of contracting with Medicaid Managed care companies and remains willing to do so.

LMHS holds numerous managed care agreements for commercial insurance products and for Medicare Advantage plans in addition to its Medicaid managed care agreements. We have an extremely solid track record of working with the payer community in order to provide a variety of products to our citizens and visitors.

LMHS is not opposed to working with private payers who wish to furnish Medicaid products to qualifying members, provided we can use the same business tools we use in our commercial and Medicare Advantage negotiations. The negotiation process allows each party to determine the payment terms and conditions of the contract, including such items as payment rates, authorization procedures, claims filing procedures, credentialing procedures, malpractice requirements, and other general conditions of participation.

In addition to the subjects listed above, the geographic area covered by a payer is also a vital part of negotiations since it will determine the amount of business associated with a payer contract as well as the services that will be available to subscribers of the payer. Therefore, any regional contracting provisions must take into consideration the existing regional networks of care including multi-county tertiary care patterns. To draw arbitrary regions that do not support existing networks of care run the risk of disrupting care and sending patients to locations that may be far from home.

The Medicaid reform bill introduced last Session, HB 7223, divided the state into six distinct regions to implement the reform plan. However, our LMHS five county service area was split into three different regions. This division of territory would have disrupted our existing five county regional network of care, disrupted existing referral patterns, adversely impacted quality of care, and created inequitable out of network burdens for both providers and patients.

Each health system in Florida is unique and must be given the opportunity to negotiate private contracts that it can administer and that will not undermine its financial integrity.

Adverse Patient Mix for Lee Memorial Health System

All health systems across our country utilize the practice of cost-shifting in order to cover the shortfalls of payments made by the Medicare and Medicaid programs. Consider in the case of LMHS that 69% of our patients have Medicare, including private Medicare Advantage plans, or Medicaid, including HMOs and PSNs for fiscal year 2010. All of these plans pay LMHS less than our cost to provide the services. An additional 8% of our patients have no insurance coverage and again we receive far less than our cost for the services we provide. Commercial managed care plans cover the remaining 23% of our patients and yet cover all of the payment shortfalls. In contrast, many large cities have patient mixes that are almost directly the opposite of the one just described, with 70% of patients being covered by commercial payers and 30% being tied to programs that pay below cost.

The reason this is important is that the amount of the cost shift is directly correlated to the patient mix. For this reason, it is not always possible to replicate successes from pilot programs since the circumstances each health system faces are unique.

The individuality of each market is also of concern which is why the concept of having “dollars follow the patient” may not be viable. The dilution of dollars that help to fund patient mix shortages by including them in a capitation rate will ultimately result in creating worse conditions for cost shifting.

Florida's fragile economy could be undermined even further if dollars are not paid directly to the entities that provide vital services to Florida's poor. In our market, LMHS would have to try to make up shortfalls through additional cost shifting to businesses who can ill afford to bear more insurance costs. Its important to note the LMHS commercial patient mix has been eroding steadily over the last four years, starting at 35% as recently as 2007, then 30% in 2008, 27% in 2009 and now at 23%, reflecting the tough economic conditions in our community that have resulted in the loss of many jobs. Lee County has the dubious distinction of having the second highest home foreclosure rate in the nation and nearly 14% unemployed.

Value to the Community

LMHS is a good steward of resources and this is evidenced by our cost metrics which remain extremely low. Our FTEs per average occupied bed is at 4.7, well below what other communities experience and our operating margin is usually between 2 and 3.5 %, which is certainly not excessive. LMHS also serves as a local bright spot in an otherwise struggling economy, providing over 9,500 employees with jobs and salaries, wages and benefits of over \$500 million annually.

In conclusion, we can support Medicaid Managed Care and understand the state's need to control spending. That means fewer dollars for us as a Medicaid provider. We need the flexibility to reflect local conditions when we contract with managed care organizations. Mandatory contracting, 'one size fits all,' will not work in Florida. Because we also use our local finances to fund the state match for Medicaid and bring more federal dollars into the program, we owe it to our local community that those resources are used to provide patient care and not additional profits to HMOs. The state of Florida has a long history of targeting additional funding to safety net providers and the essential services which do not pay for themselves. For us this includes trauma care and children's hospital services, which are essential to our community. This pattern of direct state investments into essential services must continue in a managed care environment.

In order to continue our community service and mission, we are asking that Medicaid managed care contracts remain as private transactions between the payers and providers; and that the funding source for healthcare services provided to Florida's low income citizens remain intact and not be distributed on a per patient basis.