

CLACKAMAS COUNTY BOARD OF COUNTY COMMISSIONERS
Sitting/Acting as (if applicable)
Study Session Worksheet

Presentation Date: 9/16/14 **Approx Start Time:** 2:30 PM **Approx Length:** 30 min

Presentation Title: Clackamas Health Centers Financial Update

Department: Health, Housing and Human Services (H3S)

Presenters: Cindy Becker, Richard Swift and Deborah Cockrell

Other Invitees: Angela Burdine and Doug Green

WHAT ACTION ARE YOU REQUESTING FROM THE BOARD?

The purpose of this Study Session is to update the Board of Clackamas County Commissioners (BCC) on the continued financial recovery of the Health Centers.

EXECUTIVE SUMMARY:

On February 4, 2014 H3S leadership met with the Board to discuss the significant gap in Health Center revenues and expenses for FY14 that was identified late in the second quarter of FY14. This gap was specifically in primary care and was the result of multiple factors:

- The FY14 budget was built using unrealistic revenue assumptions;
- Hiring additional staff at the Sunnyside Clinic and in other areas before patient volumes warranted the FTE increases;
- The situation was exacerbated by an accounting structure that does not allow the division to accrue revenues and delayed posting of same due to year end closing.

Health Centers' management engaged in a range of actions to close the budget gap:

- Shortened the billing cycle to increase realized revenue in this fiscal year;
- Worked with other H3S divisions to transfer funds and hold vacant positions;
- Eliminated all positions that have been vacant since July, 2013;
- Eliminated and/or re-vamped the schedules of most temporary positions;
- Reduced the number of budgeted FTE by 20%;
- Reduced material and service expenses.

These actions reduced the FY14 budget gap to \$2.48 million. H3S leadership asked the BCC for a loan from the County General Fund to allow the clinics to remain open and simultaneously improve performance and its operational capacity.

Before considering approval of a loan the BCC required H3S leadership to return for an additional study session to give the Commission the opportunity to review and understand the key financial measures that would indicate the outcome of improvement efforts.

On February 25th the Health Centers presented their plan for increasing revenues with a focus on:

- Patient/client volume – the number of people seen each day by clinic
- Provider productivity – the number of people seen by each provider daily
- Payer mix – the type of insurance each person carries

The measures above are tracked weekly and reported monthly to County Administrator and to the BCC. A financial pro forma, initially presented at the 2/4 study session was updated and submitted for review. Please note that the pro forma has been updated and is attached for this discussion.

The BCC voted to approve the loan and required the Health Centers to work with County Finance to establish a loan repayment schedule. The schedule was completed and the Health Centers will make its first loan payment at the end of the first quarter of FY15.

FINANCIAL IMPLICATIONS (current year and ongoing):

For the last six months of this year the Health Centers exceeded all of its expectations in terms of revenue, provider productivity and payer mix. The County is still in the process of its year end for FY14. Current projections place the Health Centers Fund balance at \$2,800,000. The fund balance that was estimated when this work began was approximately \$400,000. The FY15 budget uses \$415,413.

Provider productivity has moved from an average of 14.1 encounters a day in January to 17 per day in June. This places the Health Centers exactly where it is projected and needs to be according to the pro forma.

The Medicaid payer mix is well above where we initially projected it needed to be. 75% was used in the pro forma and the current aggregate percentages are as follows:

Payer Mix	Jan 14	Feb 14	Mar 14	Apr 14	May 14	Jun 14	FY15-17
Medicaid	68.5%	70.5%	72.9%	74.6%	75.4%	76.5%	75.0%
Uninsured	15.8%	15.0%	13.4%	13.0%	12.8%	11.5%	12.6%

The sum of these efforts means that the Health Centers have financially stabilized. They are scheduled to make all quarterly loan repayments for FY15 and these funds are budgeted. Additionally, the Health Centers will be able to repay all internal loans made by other H3S divisions.

When Health Centers' staff began this work in January with layoffs of close to 50 FTE it was known that those cuts were exceedingly deep and not sustainable over the long term. This was necessary at the time. Health Centers' management is now preparing requests to add back positions. The positions will allow the Health Centers to address and improve the following:

- Patient access and engagement
- The quality of provided care and patient outcomes
- Provider and clinic team support
- Ability to meet key performance measures and reduce the cost of care

These positions will be FTE that the Health Centers' can afford through current revenue. They are not based on projected revenue.

H3S leadership and Health Centers' staff are continuing their collaboration with area health care plans and systems and Washington and Multnomah Counties. This work enables us to share resources, develop alternative systems of care and explore and refine payment structures. We received the following grants:

- \$100,000 from Care Oregon to increase dental access
- \$65,000 from Health Share to increase early outreach and engagement to new members

It has also meant the award of incentive dollars from Health Share as the Health Centers have met the following targeted performance metrics:

- Screening for Clinical Depression and Follow-Up Plan
- Follow-Up Care for Children Prescribed ADHD Medication
- Colorectal Cancer Screening
- Controlling High Blood Pressure
- Diabetes Hba1c Control
- Emergency Department Utilization.

In addition, we received notification from the Health Resource Services Administration regarding award of a \$250,000 grant to improve patient access to services and quality of care. This award in conjunction with money from Community Development will allow us to:

- Relocate and remodeling the reception/lobby area to give patients ADA counter access;
- Bring pharmacy into the building;
- Replace waiting room furniture that is in bad repair;
- Add a children's play area;
- Create an areas for public access to computers and education.

LEGAL/POLICY REQUIREMENTS:

None

PUBLIC/GOVERNMENTAL PARTICIPATION:

OPTIONS:

RECOMMENDATION:

Continue the ongoing work and update the BCC near the end of second quarter of FY15.

ATTACHMENTS:

- Pro forma for FY15, FY16 and FY17

SUBMITTED BY:

Division Director/Head Approval _____
Department Director/Head Approval Richard Swift
County Administrator Approval _____

For information on this issue or copies of attachments, please contact RichardSwift @ 503-650-5697

**9.16 Study Session Attachment
Health Centers Updated to reflect current FY 15**

Pro Forma Analysis

REVENUES:

1 Growth in Medical Revenues is calculated using the following assumptions:

- All of the medical clinics have modified their appointment schedules and hours of operations to allow an increase in utilization by patients. In addition, the clinics are now beginning to see patients who are newly insured through the Affordable Care Act and with the efforts of Cover Oregon. We currently average 16 encounters per provider per day. By the end of FY2015 we anticipate seeing 20 patients per provider and as this trend continues, we forecast 22 patients per provider by FY2017. This is in line with the FQHC guides and with our counterparts in medical practices.
- To accommodate the assignment of 6,000 new Care Oregon patients and 1,200 new uninsured patients, we will add 2.5 providers in total over the 3 year period. These are assumed in the Pro Forma to be added as mid-year hires.

2 Growth in Dental Revenues is calculated using the following assumptions:

- Dental Revenue for FY 2015 is based on trending over the last three months of FY 2014 and reflects a 3.5% COLA increase for FY 2016 and FY 2017.

3 Growth in Behavioral Health Revenues is calculated using the following assumptions:

- We started receiving capitation payments from Health Share in Jan 2014 and the revised Pro Forma accounts for the transition from global budget to case rate over the first six months of FY 2015.
- Behavioral Health Revenue for FY 2015 is based on trending over the last six months of FY 2014 and reflects a 3.5% COLA increase for FY 2016 and FY 2017.
- The Pro Forma also anticipates the influx of new patients into the clinic based Behavioral Health services through the Primary Care referral process, which is a relatively new and expanding offering at the clinic level.

4 Grant Revenues

- Grant Revenues as previously detailed in February 2014 and were appropriated in FY 15 budget process
- Additional Grant funding included; \$100,000 from Care Oregon for Dental expansion & \$65,000 from Health Share to increase access & enhance member engagement

5 Payer Mix

- Projected Payer Mix is based on current patient base of 75% Medicaid and 12.6% Uninsured.

EXPENDITURES:

1 Personnel Services

- Personnel Services account reflect the FY 2015 adopted budget with a 3.5% COLA increase each subsequent year.

2 Materials & Services

- Materials and Services reflects the FY 2015 adopted budget with a 3.5% COLA increase on expenditures
- FY 15 Includes \$770,000 to pay back other H3S divisions for loans made in FY 14

9/9/2014

3-Year Pro Forma Statement

	FY15	FY16	FY17
<u>Revenue</u>			
Medical Clinics:			
Oregon City Primary Care Clinic	3,188,185	3,578,002	3,986,422
Sunnyside Medical Center	2,847,520	3,204,457	3,578,512
Gladstone Community Clinic	828,449	925,737	1,027,650
School Based Health Centers	153,591	159,355	165,338
Sandy Health & Wellness	246,001	255,021	264,372
Total Medical Revenue	7,263,746	8,122,572	9,022,294
Dental Clinics:			
Oregon City Dental Clinic	1,374,759	1,426,058	1,479,277
Sunnyside Dental Clinic	1,196,166	1,240,802	1,287,110
Total Dental Revenue	2,570,925	2,666,860	2,766,387
Behavioral Health Services:			
Mental Health Services	7,573,203	7,863,531	8,165,008
Addictions Services	2,028,192	2,105,125	2,184,983
Court Programs	1,129,475	1,172,456	1,217,077
Health Share Capitation	2,512,104	2,772,751	2,869,514
Total Behavioral Health Revenue	13,242,974	13,913,863	14,436,582
Grants & Other	3,594,805	3,378,199	3,479,545
Previous Year Fund Balance	2,800,000	2,377,461	3,241,746
Total Revenue	29,472,450	30,458,955	32,946,554
<u>Expenses</u>			
Personnel Services	17,385,048	17,993,525	18,623,298
Material & Services	6,343,575	5,768,650	5,970,552
Indirect Expense	2,533,366	2,622,034	2,713,805
Payment to GF for Loans	833,000	833,000	834,000
Total Expenses	27,094,989	27,217,209	28,141,655
Net Surplus (Deficit)	2,377,461	3,241,746	4,804,899

Summary of Projected Payer Mix by Service Type for FY15-FY17

Actual FY 2014 (Jul 2013 - Jun 2014)				
Service Type	Medicaid	Medicare	Private/Public	Uninsured
Medical	63.1%	8.3%	3.4%	25.2%
Dental	77.1%	0.0%	0.3%	22.6%
Behavioral Health	60.4%	10.3%	12.4%	16.9%
FQHC Total	62.8%	8.7%	8.3%	20.2%

Projected FY 2015 - FY 2017				
Service Type	Medicaid	Medicare	Private/Public	Uninsured
Medical	74.8%	7.3%	2.8%	15.1%
Dental	83.5%	0.0%	0.3%	16.2%
Behavioral Health	72.7%	11.5%	5.9%	9.9%
FQHC Total	75.0%	8.4%	4.0%	12.6%

Summary of Projected Provider Encounters at Oregon City, Sunnyside & Gladstone

Actual Encounters				
Period	Avg Encs/Day	Avg # of Providers	Avg Productive Days/Month	Total Provider Encs
Jan-14	14.1	9.8	13.7	1,887
Feb-14	12.8	10.0	13.2	1,692
Mar-14	14.3	12.0	14.0	2,402
Apr-14	15.4	11.0	14.8	2,504
May-14	16.7	9.0	15.2	2,282
Jun-14	17.0	9.0	14.6	2,223
FY14 Q3/Q4 Total	15.0	10.1	14.2	12,990

Projected Encounters				
Period	Avg Encs/Day	Avg # of Providers	Avg Productive Days/Month	Total Provider Encs
FY15	19.0	11.5	14.9	39,221
FY16	20.5	12.5	15.0	46,170
FY17	22.0	13.5	15.0	53,460