

# METROPOLITAN GOVERNMENT OF NASHVILLE AND DAVIDSON COUNTY



MEGAN BARRY  
MAYOR

DIRECTOR OF FINANCE  
METROPOLITAN COURTHOUSE  
ONE PUBLIC SQUARE, SUITE 106  
NASHVILLE, TENNESSEE 37201  
(615) 862-6151  
(615) 862-6156 FAX

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Members of the Hospital Authority,

Late Monday, the Department of Finance received word from Metro Legal which indicated the imminent arrival of a supplemental funding request from Metro General Hospital in excess of \$19 million.

When combined with the operating subsidy for FY2018, this request will bring General Hospital's total Metro funding this year to over \$54 million—the largest since 2010 when the city wrote off \$31 million in capital debt for the hospital. Additionally, despite a daily census down from 63 to 34 fiscal year-to-date and no longer splitting the annual \$35 million subsidy with the Bordeaux and Knowles Homes, General Hospital's operating costs have continued to increase.

As the Director of Finance, it is my responsibility to provide accurate financial information to policy makers and the public so they can make informed decisions and achieve the best results for the community. To that end, the Department of Finance has prepared the attached list of questions. Your timely and thorough response to these inquiries will allow us to better vet any proposal you submit. That, in turn, will allow me to make a well-timed recommendation to the Administration who will ultimately submit a request to the Metro Council for approval.

My primary obligation is to the taxpayers and to make sure the finite resources of this government are managed responsibly. This is a goal I know you all share, which is why I look forward to your timely response and to our continued collaborative relationship.

Thank you for all you do for this community and for taking on the responsibility to serve in the role you do. I know it is not easy, but it is appreciated. Please reach out to me directly if I can be of assistance during this process.

Regards,

A handwritten signature in blue ink, appearing to read "Talia Lomax-O'dneal".

Talia Lomax-O'dneal  
Director of Finance

cc: Tanaka Vercher, Chair of Budget & Finance

### Questions Regarding Hospital Supplemental Funding Request

Submitted by the Department of Finance

- 1) The document from your NGH Board Meeting entitled "*Key Considerations for FY 2018 Supplemental Request*" (Attached) references a "series of operational initiatives and reductions" that were approved by the Board and deferred in implementation. Based on that document:
  - a. **Please provide a detailed list of those approved reductions by line of business.**
  - b. **Will these reductions still be implemented in this proposed new budget?**
  - c. **If so, what is the timeline for that implementation?**
  - d. **Please provide a detailed listing of line item expenditures projected for this fiscal year as compared to last fiscal year. Please provide explanations for any variances greater/less than 5% for each line item.**
- 2) The key considerations document references "improvements in Revenue Cycle, staffing productivity, Supply and Pharmacy standardization and pricing."
  - a. **Please provide specifics on each of those items and the amount saved for the hospital by line of business and expenditure account.**
  - b. **Please explain how this has impacted your supplemental estimate.**
- 3) The key considerations document includes almost \$2M for stay or retention pay, as well as \$1M for retention and \$125K for longevity.
  - a. **Please provide a specific budget for these bonuses, broken out by position.**
  - b. **Will any executive staff be eligible for these bonuses? If so, which positions and at what level of compensation?**
  - c. **What is the difference between the \$1M for retention and \$125K for longevity awards and the next line item of \$1.7M for stay and retention pay?**
  - d. **Are any employees eligible for multiple incentives?**
- 4) The key considerations document notes \$613,183 more in charity care than pre-budget.
  - a. **Please explain the rationale behind this increase assertion.**
- 5) The key considerations document anticipates an increase in contract labor of \$600,000.
  - a. **Please provide a more detailed financial analysis of this expenditure that includes specifics on where these cost increases will occur.**
- 6) The key considerations document notes that hospitalist, anesthesia and ED physician subsidies will rise as collections decline with fewer patients.
  - a. **Please detail how this impact might be minimized through your staffing resourcing initiatives.**

- 7) The key considerations document notes \$300,000 in anticipated legal expenses needed for any restructuring or other costs related to change in character or operations of Hospital.
- a. **Is it the Authority's intention to retain outside legal counsel?**
  - b. **Does this anticipate that the Hospital Authority will adopt changes to the operating model of NGH?**

*The key considerations document outlines differences between the anticipated budget prior to the announcement of closing inpatient services (pre-budget), and the anticipated budget after that announcement (post-budget).*

- 8) The pre-budget presumes \$235,116,444 for FY18 which is arrived at by simply multiplying the first fiscal quarter actuals by a factor of 4. The actuals were below the projected YTD at the end of the first fiscal quarter.
- a. **What were the original revenue projections for Metro General prior to the start of FY2018?**
  - b. **When did the Hospital Authority adopt a revised budget with an anticipated \$235M in patient revenues?**
  - c. **What is the anticipated monthly number of admissions you will need to meet to hit this revenue goal? How does that compare to your current admissions rate?**
  - d. **What is the rationale for basing the remaining three quarters on the budget actuals for Q1, rather than your initial projections?**
  - e. **Did the October actuals track with this assessment?**
  - f. **Of the revised \$235M projection, how much is anticipated to come from inpatient care? How much from outpatient care?**
  - g. **The Average Daily Census (ADC) dropped from 36.1 in September to 28.2 in October, what impact did this have on your budget actuals?**
- 9) Pre-budget anticipates \$36,119,668 in salaries and \$9,855,240 in benefits. Likewise, there were 529 FTE's in September; eight fewer than the 537 budgeted according the September financial report.
- a. **What does this equate to in terms of employment, FTEs and PTEs?**
  - b. **How many FTEs were anticipated on a monthly basis for each of the remaining months (post-September) of the fiscal year?**
- 10) In the pre-budget, how much of the \$13.1M subsidy would be used to pay Meharry for:
- a. **AP (services already provided)?**
  - b. **How much would be used to pay for future services through the end of FY18?**
- 11) For this pre-budget scenario, please provide the FY18 budget for every department and clinic within NGH.



- 12) Post-budget anticipates \$222,772,830 in total patient revenues.
- What is the anticipated monthly number of admissions you will need to meet to hit this revenue goal? How does that compare to your current admissions rate?**
  - Of the \$223M projection, how much is anticipated to come from inpatient care? How much from outpatient care?**
  - With the reduction in patient volume, will this result in a reduction in staff or services? How will you plan for staffing over the next 6 months?**
  - How many hospital employees are dedicated solely to inpatient services? Outpatient?**
- 13) Post-budget anticipates an increase of \$2,062,153 in salaries and benefits over the pre-budget.
- How many FTEs and PTEs does this anticipate for each of the remaining months (post-September) of the fiscal year?**
  - Please provide the number of FTEs and PTEs for each of the past twelve months (November 2016 to November 2017). Please include the number of staff departures and new hires for each of those months.**
- 14) In the post-budget, how much of the \$19.7M subsidy would be used to pay Meharry for:
- AP (services already provided)?**
  - How much would be used to pay for future services through the end of FY18?**
- 15) For this post-budget scenario, please provide the FY18 budget for every department and clinic within NGH.
- 16) Please provide a list of all current NGH staff positions with salaries and benefits. Staff member names may be redacted.
- 17) At the close of November 2017, what is the outstanding accounts payable to Meharry?
- 18) The most recent cash flow provided to the Department of Finance by NGH showed the Meharry 6/30 AP at \$3,892,050. However, the supplemental request documents show Meharry 6/30 AP at \$5,000,000.
- What accounts for the difference in these two figures?**
  - Please provide a detailed reconciliation and explanation of these numbers.**
- 19) Please provide a detail listing of the amounts paid to other hospitals for patient referrals in FY17 and FY18.
- 20) Please provide the October 2017 financial report in the format typically reported to the Board.
- 21) For each NGH clinic, please provide:
- FY17 YTD patient visits**
  - FY18 YTD patient visits**

- 22) Please provide an updated monthly cash flow statement showing your current assumptions.
- 23) Please provide a listing of all vendor contracts, scope of services, contract duration, payment terms and spending year to date.
- 24) Please provide a listing of aged accounts receivable balances by payer. Please explain any accounts receivable balances that are greater than 90 days.

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### Key Considerations for FY 2018 Supplemental Request

provided by Hospital Authority

- Initial FY 2018 Budget required a \$20-22M shortfall be addressed based on METRO Finance guidance on subsidy at \$35M
  - A series of operational initiatives and reductions were advanced and approved by the Board which effectively narrowed the gap to \$10-11M
  - Deferrals in implementation of those changes, at request of other parties, has inflated the need for the supplemental subsidy above the \$10-11M target noted above.
    - Improvements in Revenue Cycle, staffing productivity, Supply and Pharmacy standardization and pricing have significantly improved financial performance in FY 2018 – prior to closure announcement
- With those deferred actions still pending, we had estimated a Supplement need of approximately \$13.1 M as recently as 60 days ago
  - With recent news of the Meharry HCA announcement and the Mayor's expressed desire to close IP services at NGH, the updated Supplement has risen to \$19.7M for FY 2018
    - That has been modified as staff attrition will negatively impact labor costs, and patient concerns will hurt insured patient revenues and the subsidies needed to keep our ER, Hospitalist and Anesthesia programs whole through June 30<sup>th</sup>.
- Key Drivers of this increased subsidy are:
  - Gross Revenue declines by 5% initially and approaches 25% as near 6/30 – blended 7% decline modeled.
  - Charity care increases slightly vs paying patients – up 1%
  - Salary costs increase \$1M for retention and \$125K for Longevity Awards
  - Stay or Retention pay estimated at \$1.7M using 10% premium over 6 months
  - Contract Labor rises rapidly – doubling over last 6 months vs run rate \$1.3M impact
  - Hospitalist, Anesthesia and ED physician subsidies rise as collections decline with fewer paying patients – impact at \$540K final 6 months.
  - Added \$300K for anticipated Legal Expenses needed for any restructuring or other costs related to change in character or operations of Hospital
  - Added \$60,000 for minor maintenance identified during mock JCAHO visit – fire doors, penetrations, pressure and HVAC issues etc.

# Pre-Budget

## METRO NASHVILLE GENERAL HOSPITAL SUPPLEMENTAL REQUEST AS OF DECEMBER 2017

### Revenues:

Total Patient Revenue	235,116,444
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### Deduction from Revenue

Contractual Adj	114,948,372
Bad Debt	32,162,316
Charity	30,753,231
Other Adj.	14,596,664
Total Deductions	192,460,583

Net operating*	42,655,861
	18.1%

Other Revenue	3,970,332
Essential Access	15,127,132
City Supplement	-
Total Net Revenue	61,553,325

### Expenses:

Salaries	36,119,668
Benefits	9,855,240
Contract Labor	3,844,352
Supplies	15,068,418
Contract Services	8,378,540
Physician Services	9,600,132
Repair and Maintenance	3,778,668
Other	7,816,664
Interest	127,000
Metro indirect expense	3,609,900
Metro ISF fees	95,280
Total Expense	98,293,862

Operating Margin	(36,740,537)
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Total Other Cash Payments	
LOCAP for BLTC/KH	2,351,600
Lease Payment	4,000,000
Payment on Meharry outstanding AP 6/30	5,000,000

Net Cash (Deficit)**	(48,092,137)
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Current Subsidy	35,000,000
Additional Subsidy Needed	(13,092,137)



# Post - Budget

## METRO NASHVILLE GENERAL HOSPITAL SUPPLEMENTAL REQUEST AS OF DECEMBER 2017

### Revenues:

Total Patient Revenue	222,772,830
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### Deduction from Revenue

Contractual Adj	108,913,582
Bad Debt	30,473,794
Charity	31,366,414
Other Adj	13,830,339
Total Deductions	184,584,129

Net operating*	38,188,701
	17.1%

Other Revenue	3,970,332
Essential Access	15,127,132
City Supplement	-
Total Net Revenue	57,286,165

### Expenses:

Salaries	37,869,401
Benefits	10,167,660
Contract Labor	4,444,352
Supplies	14,468,418
Contract Services	8,398,540
Physician Services	9,810,132
Repair and Maintenance	3,238,668
Other	8,416,664
Interest	127,000
Metro indirect expense	3,609,900
Metro ISF fees	95,280
Total Expense	100,646,015

Operating Margin	(43,359,850)
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Total Other Cash Payments	
LOCAP for BLTC/KH	2,351,600
Lease Payment	4,000,000
Payment on Meharry outstanding AP 6/30	5,000,000

Net Cash (Deficit)**	(54,711,450)
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Current Subsidy	35,000,000
Additional Subsidy Needed	(19,711,450)