TESTIMONY TO THE
31st Legislature of the U.S. VIRGIN ISLANDS
The COMMITTEE ON FINANCE
JULY 27, 2016

Good Morning Honorable Senator Clifford Graham, Chairman of the Committee on Finance, Committee members, other Senators of the 31st Legislature of the U.S. Virgin Islands present, the listening and viewing audience. I am Richard Evangelista, Acting Chief Executive Officer of the Governor Juan Francisco Luis Hospital and Medical Center (JFL). In the well today with me is Mr. Tim Lessing, Chief Financial Officer (CFO). Also in the chambers are other members of JFL's Team consisting of the St. Croix Governing Board, Executives team members, Physicians, Nurses, Ancillary Support & Administrative team members.

I thank you, Senator Graham, and the other members of Finance Committee for affording us the opportunity to present the 2017 Fiscal Year Operating budget for JFL, an update on the current state of our finances, and present our financial forecast for fiscal year 2017.

This budget represents the grim, but transparent, picture of the financial struggles confronting the staff of JFL on a daily basis. The current financial position of JFL opens the door for discussion on the financial future of JFL considering the challenges and the opportunities facing all of the U.S. Virgin Islands.

Webster's dictionary defines "budget" as follows:

a. a statement of the financial position of an administration for a definite period of time based on estimates of expenditures during the period and proposals for financing them
b. a plan for the coordination of resources and expenditures
c. the amount of money that is available for, required for, or assigned to a particular purpose

CURRENT REALITIES:

JFL's strategic plan is governed by our Mission Statement, "***To drive improvement in the health of those we serve, while exemplifying compassion and respect.***" Our Mission Statement is challenged on a daily basis by current realities. At JFL we view these realities as opportunities for progress and moments of truth to which we must responsibly respond. Prioritizing the major challenges within our current realities will project JFL towards self-sustainability.

MAJOR CHALLENGES:

JFL's top 5 challenges are:

1. Uncompensated Care.
2. The age of the facility.
3. Workforce training and development.
4. Debt management.
5. Lack of community resources needed to provide adequate care to those patients ready for discharge but are delayed because the needed resources are not available.

1. Uncompensated Care

The Government of the Virgin Islands code states "*Payments from the general revenues of the Government of the Virgin Islands are intended to compensate the facilities for otherwise uncompensated care, in order to ensure the availability of quality, comprehensive health care to indigent as well as other residents of the Virgin Islands.*" These payments are to cover the uncompensated costs associated with providing health care services. The Virgin Island Code defines Uncompensated Care Cost as "the sum of unpaid or unreimbursed costs for health care services provided by the hospital after due diligence to collect."

The actual calculation to determine "Uncompensated Care Cost" is a formula used by Centers for Medicare and Medicaid (CMS) in its annual cost report (Schedule S10). JFL outsources its annual cost report preparation to the audit firm of BKD, LLP. They have been the audit firm of JFL for nearly 15 years and are very familiar with the issues surrounding governmental payment calculations, cost calculations, and definition used by CMS.

The following is a summary of the calculation as "certified" by BKD, LLP and subsequently audited by CMS for the accounting periods FY14 and FY15. The calculation separates the data into a Medicaid specific component to account for the Federal and Local Share payments made to the facility and then an all other beneficiaries component.

Governor Juan F. Luis Hospital and Medical Center
Uncompensated Care Calculations
FY 2014 and FY 2015
Source: CMS Cost Report form S10

	FY 2014	FY 2015
Total Medicaid Charges	$ 22,009,389	$ 28,510,446
Medicaid Cost	12,612,612	17,425,328
Less Federal Share Received (Based on Current Rates)	(4,401,878)	(5,416,985)
Less Local Share Received *	-	-
Medicaid Uncompensated Care	$ 8,210,734	$ 12,008,343
Federal Share - 55.0% 2014 / 57.20% 2015	4,515,904	6,868,772
Local Share - 45.0% 2014 / 42.80% 2015	3,694,830	5,139,571
Medicaid Uncompensated Care	$ 8,210,734	$ 12,008,343
Add Cost of Charity Care	1,255,664	2,534,905
Add Cost of All other Beneficiaries	16,703,490	8,349,026
Total Uncompensated Care for JFL	$ 26,169,888	$ 22,892,274
Allotment Received	$ 20,148,068	$ 20,148,874
VI Government Obligation Due JFL	$ 6,021,820	$ 2,743,400

* Local Share of MCD payments are co-mingled in Allotment and should be seperated.
Current MCD Reimbursement rates need to be adjusted annually.

Slide 1: Uncompensated Care FY 2014 and FY 2015

For FY14 (Exhibit 1), JFL's Medicaid component is calculated as follows: Total Medicaid Charges of $22,009,389, multiplied by the Cost to Charge Ratio of .5730563, resulting in a Medicaid Cost of $12,612,612. Less the Federal Share received at current rates of $4,401,878, equals Medicaid Uncompensated Care shortfall of $8,210,734: $4,696,540 (Federal Share 57.20%) and $3,514,194 (Local Share 42.80%). Add Cost of Charity Care; $1,255,664 and add the Cost of All other Beneficiaries of $16,703,490 for a total of $26,169,888 Uncompensated Care for JFL for FY2014.

For FY15 (Exhibit 2), JFL's Medicaid component is calculated as follows: Total Medicaid Charges of $28,510,446 multiplied by the Cost to Charge Ratio of .611191, resulting in a Medicaid Cost of $17,425,328. Less the Federal Share received at current rates of $5,416,985, equals Medicaid Uncompensated Care shortfall of $12,008,343: $6,868,772 (Federal Share 57.20%) and $5,139,571 (Local Share 42.80%). Add Cost of Charity Care; $2,534,905 and add the Cost of All other Beneficiaries of $8,349,026 for a total of $22,892,274 Uncompensated Care for JFL for FY2015.

The Government of the Virgin Islands annual allotment to JFL for FY14 was $20,148,068. The difference between the cost of $26,169,888 and the allotment of $20,148,068 is a $6,021,820 shortfall for FY14. For FY15 the annual allotment was $20,148,874. The difference between the cost of $22,892,274 and the allotment of $20,148,874 is a $2,743,400 shortfall for FY15. The combined two Fiscal Year periods amounts to $8,765,220 of funding due-to JFL to "*provide quality, comprehensive health care to those of the Virgin Islands.*" It is expected the uncompensated care for FY16 and FY17 would be comparable to the amount of shortfall experienced in FY15 (approx. $7,000,000). JFL will collaborate with the Department of Human Services to adjust the current reimbursement rates for Medicaid patients to reflect costs associated with our last audited cost report of FY2015. The current Medicaid rates are based on JFL's FY2013 Cost Report. This readjustment could result in a retroactive payment; alleviating a portion of the $8,765,220 Uncompensated Care shortfall. JFL will request a Medicaid rate review annually to avoid timing gaps for payments. Additionally, JFL's Uncompensated Care cost will increase with the opening of the proposed competitive outpatient facilities. JFL foresees the decrease of Commercial payer surgeries; leaving only Medicare and Medicaid surgery reimbursements which has already proven to be detrimental to our Uncompensated Care costs. JFL needs to be at the table for all proposed facilities that could duplicate services to the community.

2. **The age of the facility**

   The hospital is now 34 years old. Improper maintenance and lack of capital investment(s) needed to provide a safe environment to provide patient care compounds JFL ability to fulfill our Mission Statement. The major capital items include a new roof (estim. $4M), replacement of HVAC Systems including vents and support ($2M), redesign and equip a new Operating Arena and the Emergency Room (estim. $10M), and miscellaneous equipment upgrades (estim. $2M). The estimated repairs needed to the facility and equipment upgrades (Capital Improvements) total an estimated $11,000,000 (Exhibit 3). These expenses can't be covered by the hospital under the current financial position of the hospital. It is estimated a replacement hospital would cost $96,000,000.

3. **Workforce training and development.**

   The staff and management require the needed resources to develop their skills and grow to meet the needs of an ever changing work environment. It is estimated employees in a healthcare environment need $1,094 per employee or $437,000 annually in professional/clinical education to ensure they remain current in their field of expertise. Currently, JFL has $120,000 allocated for professional development of our staff in this FY17 budget.

4. **Debt management**

   Years of financial mismanagement has left JFL with an estimated $55 Million dollars of debt that cannot be paid. The carnage left behind by previous administrations is overwhelming. It did not happen overnight and it will not be fixed anytime in the foreseen future. The detail of the Accounts Payables (AP), (Exhibit 4), include Governmental payables which account for $28M or 50% of the total AP. Although JFL is running at a "break-even" point today, no excess cash is being generated to make a dent in this massive accumulated debt. JFL can report today, since February of 2015, GERS, IRS and IRB debtors are current! First time in many many years.

5. **Lack of community resources needed to provide adequate care to those patients ready for discharge but are delayed because the needed resources are not available.** JFL has continued to decrease its patients Average Length of Stay (ALOS) from 6.8 Days in FY14 to 6.0 Days in FY16. This means fewer resources being consumed allowing for a lower cost margin against a fixed income. But this is going to change if additional resources are not made available to those patients in need of "continued care" after discharge i.e., Long-Term nursing facility, Skilled-nursing facility, Home Health, and Durable Medical Equipment (DME). Patients will need additional days/months of care (unreimbursed by any payer) in the hospital because we are not going to discharge a patient to unsafe environment. We estimate we have had 615 days of "Free Care" we provided in the past 12 months or equivalent to $698,000 in additional cost that we are not going to be reimbursed.

The Governor Juan F. Luis Hospital & Medical Center's partnership with community stakeholders under the support and guidance of the Health Services Advisory Group (HSAG) continues to experience barriers in moving forward with identifying community resources that can create a seamless transition in ensuring a safe discharge as outlined in the CMS Conditions of Participation. Lack of community resources has impact not only on the organization but also the community. As a result, a domino effect has occurred and has increased the number of patient days spent in the hospital during which hospital services were not rendered or could have been safely and appropriately performed in an alternate setting such as:

- Skilled Nursing Facility (SNF)
- Nursing Home
- Long Term Acute Care (LTAC)
- In-Patient Rehab
- Home Health Agency

The hospital has seen an increase in family members who refuse to participate in the patients care or cannot participate in the discharge plan because equipment and supplies are not readily available, attainable and affordable to the aging population who live on a fixed income. The Medicare population is tasked with purchasing wheelchairs and walkers out of pocket because there is not a durable medical equipment provider on island. This is taxing on the community and patients return to the hospital within 30 days of discharge because their condition has worsened or because the hospital is the only place where the service/equipment can be provided. Complex patient's often encounter fragmented care due to a lack of community resources on island which places a significant strain on the organization because the infrastructure within the US Virgin Islands cannot support the needs of the community.

CMS READINESS:

As you are well aware, JFL was removed from its System Improvement Agreement with CMS on January 4th, 2016 after JFL demonstrated its sustained ability to be in compliance with the Conditions of Participation (COPs). We subsequently had a second visit from CMS surveyors on June 12th, 2016 and were found to be in "substantial compliance" with the COPs that were reviewed. As of today, JFL remains vigilant to ensure the care of our patients is our first priority regardless of the patient's insurance status.

FY 2015 AUDIT:

Each year JFL is audited by an external, third-party, independent audit firm. BKD, LLP. has been the audit firm for JFL for the past 15 years and are well aware of the hospital's financial struggles over the years. The audit is performed in accordance with Generally Accepted Standards Board (GASB). The audit of FY15 was performed in February 2016 with an extensive two-week on-site review of accounting policy adherence, accounting standards compliance, and fiscal integrity of the financial position of the hospital produced by management.

The results of the FY15 financials "showed significant improvement" said Anthony Kruse, lead auditor from BKD. Increased billing and collections at a time when the volumes are actually decreasing demonstrates the improvements. The audit also noted:

1. Auditor's judgment about the quality of the hospital's principles: *No Matters Reported*
2. Auditor's noted no knowledge or suspicion of:
   a. Fraudulent financial reporting or misappropriation of assets involving management or employees who have significant roles in internal controls.
   b. Fraudulent financial reporting or misappropriation of assets involving others that could have a material effect on the financial statements.

The audit did note the continued concern of the long-term viability of the hospital given its debt burden and lack of sufficient subsidies by the Government of The Virgin Islands (underfunded uncompensated costs).

FINANCIAL PERFORMANCE:

Statistics

JFL continues to experience relatively flat volumes for Inpatients. Newborn babies are up by 7% over last year, outpatient volumes are up 6%, and the Emergency Room volumes are down 10% compared to last year. We have seen significant decreases in the Operating Room volumes. Inpatient surgeries are down (5%) and Outpatient surgeries are down (30%) over last year. Cases previously performed at the hospital are now being performed in physician owned clinics/surgical centers. We have also seen a decrease in the payer related to the cases we do get… non-payers sent to the hospital… insured patients stay at the centers.

Governor Juan F. Luis Hospital and Medical Center
Volume Indicator
Year over Year 2013 - 2016

	FYE 2013	FYE 2014	FYE 2015	Annualized FYE 2016	YOY 2016
Admissions EXCL Newborn	3,357	2,956	2,963	2,956	0%
Newborn Admissions	655	607	548	565	3%
Discharges EXCL Newborn	3,362	2,947	2,963	2,939	-1%
MCR	1,056	942	968	1,012	5%
MCD	705	687	739	955	29%
CIGNA	680	535	541	548	1%
BC	155	156	142	153	8%
COM	213	181	172	191	11%
SP	1,124	1,018	897	629	-30%
VA	37	17	24	16	-33%
OTHER	54	32	18	5	-70%
Newborn Discharges	662	621	538	571	6%
Patient Days EXCL Newborn	22,670	20,037	19,429	17,808	-8%
Newborn Patient Days	2,280	2,187	1,929	1,695	-12%
Outpatient Visit - EXCL ER	26,199	26,074	25,789	27,701	7%
ER Visits	20,799	19,708	18,652	20,363	9%
Surgery					
Inpatient Cases	1,028	903	942	912	-3%
Outpatient Cases	1,856	1,294	1,248	1,008	-19%
VICC	1,289	1,180	791	656	-17%
ESRD Treatments	8,720	9,783	10,352	10,271	-1%
FTE	599.81	602.86	636.08	615	-3%
LOS	6.75	6.78	6.56	6.02	-8%
Adjusted Occupied Bed	92.56	85.06	84.48	96.36	14%
FTE Per Adj Occupied Bed	6.48	7.09	7.53	6.39	-15%

Slide 2: Volume Indicators Year over Year 2013 - 2016

Charge Capture and Billing

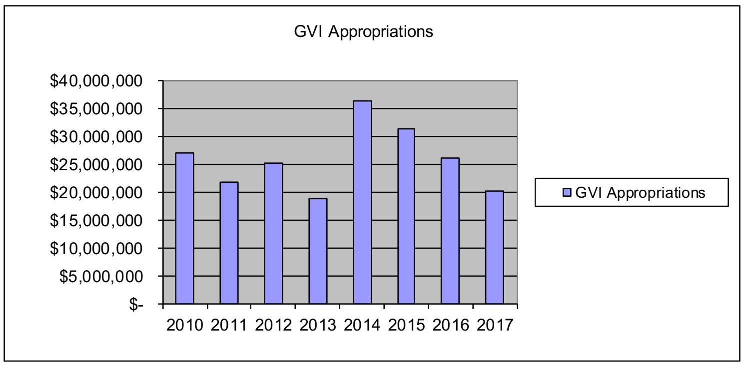
Our billing system is still on the road to recovery! A robust Revenue Cycle redesign is showing great results from improved charge capture, lower write-offs, and improved cash collections. Since FY14 JFL's Gross Charges have improved 14.8%, Net Patient Revenue has improved 20.9%, and expense as a % of Net Revenue has decreased by 26.6%. JFL did become a provider for Presumptive Eligibility (PE) in October 2015. This allows payments from Medicaid for those qualified patients at a higher rate and quicker payment than in the past. To-date JFL has registered 455 PE patients and we hope to see that increase as we look at other ways to capture these patient types earlier in the registration process. The team at JFL continues to identify opportunities for improvement in the Revenue Cycle and we are confident it will continue to improve.

JFL's GVI Appropriations Trend

Today, JFL testifies before you and the community of the U.S. Virgin Islands to bring to your attention the difference between JFL's projected GVI Appropriation and Uncompensated Care costs.

Governor Juan F. Luis Hospital and Medical Center
USVI Government Appropriations (2010 - 2017)
Source: BKD Audited Financials

	2010	2011	2012	2013	2014	2015	Projected 2016	Project 2017
GVI Appropriations	$26,979,851	$21,884,359	$25,251,647	$18,890,916	$36,398,874	$31,439,651	$26,187,727	$20,148,874

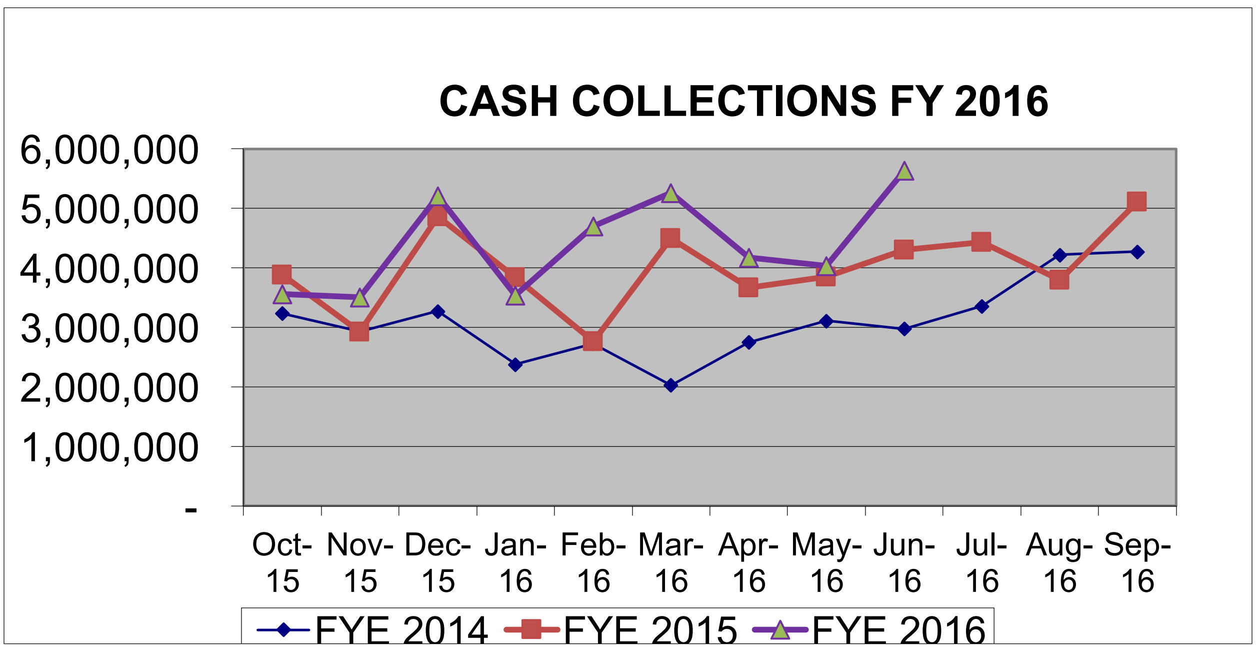


Slide 3: USVI Government Appropriations 2010 - 2017

Historically, GVI Appropriations were tied to the number of full-time-employees (FTEs), with occasional supplemental appropriations (i.e. WAPA or specific capital needs). JFL is most grateful for the financial support it receives; however, the government has never met its full responsibility of ensuring that the hospitals are adequately funded with particular attention to uncompensated care. As I testified earlier, JFL has been underfunded by $6.0M in FY14 and $2.7M in FY15 based on the CMS Cost Report. Continuing to inadequately fund the level of care provided by any reduction in appropriations is directly linked to an equal reduction in healthcare services, which impacts our regulatory standing, reimbursements and FTE's in affected departments. Our quality data has shown a direct correlation between the staffing level of available clinical staff and the quality measures. When clinical staffing levels decrease, there is a direct decrease in quality of care. Conversely, when clinical staffing levels increase, there is a direct improvement in the quality of care. If JFL's GVI appropriations are cut or underfunded, an automatic decision is being made to reduce patient care services and the number of employees at JFL, as well as subsequently decrease the quality of care provided to our patients.

Cash Collections

The cash collections for JFL have improved 33.7% as compared to the same time frame in FY2014. Average monthly collection has gone from $2.8M in 2014 to $4.3M in FY16. Redesigned Revenue Cycle, improved charge capture procedures, and continued education of the staff are just a few of the reasons for this marked improvement. But we are not finished! We are continuing the staff education for the bed-side staff to insure all procedures, implants, and chargeable patient supplies are being entered accurately. The cash flow projections using the current trend line demonstrates we should exceed the $5M a month collection target by the end of FY16.



Slide 4: Cash Collections 2016

Inter-Agency Debt

JFL has aggressively sought compensation for the services provided to Government of the VI Agencies. While some agencies have stepped up to meet their obligations, which hovers at

$8.5 million, others must understand that nonpayment adversely impacts healthcare service for all. These are monies that could be paid directly to WAPA.

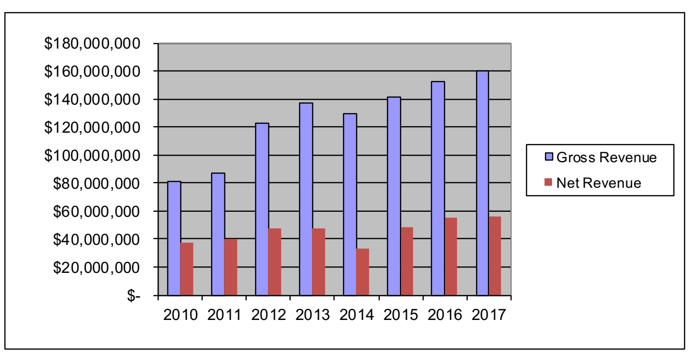
Bureau of Corrections / Adult	$	2,619,578.04
Ward of the Court	$	2,141,230.77
STD/HIV Program	$	475,894.40
Department of Human Services	$	13,471.79
Youth Rehabilitation Services-Human	$	40,398.73
V.I. Police Department	$	2,802.00
V.I. National Guard	$	13,771.65
V.I. Behavioral Services	$	20,864.41
Herbert Grigg Home	$	226,949.10
Worker's Compensation	$	2,867,943.90
Victim's Compensation	$	121,514.92
GRAND TOTAL	**$**	**8,544,419.71**

Slide 5: Monies Due from VI Government Agencies

Although JFL continues to be under funded through GVI Appropriations, we have continued to improve our revenue cycle processes. The following chart shows a positive trend in the JFL's gross revenues from fiscal year 2010 and projected into fiscal year 2017:

Governor Juan F. Luis Hospital and Medical Center
Gross vs. Net Revenue (2010 - 2017)
Source: BKD Audited Financials

	2010	2011	2012	2013	2014	2015	Projected 2016	Projected 2017
Gross Revenue	$ 81,118,974	$ 86,879,636	$ 122,806,696	$ 136,992,597	$ 129,652,291	$ 141,242,930	$ 152,093,166	$ 159,697,824
Net Revenue	$ 37,087,731	$ 40,311,033	$ 47,454,309	$ 47,198,341	$ 32,832,219	$ 48,137,142	$ 55,057,726	$ 56,158,881
% of Net Revenue	46%	46%	39%	34%	25%	34%	36%	35%



Slide 6: Gross vs. Net Revenue 2010-2017

JFL's revenue cycle enhancement strategies include denials management, service line specific rate analysis, and charge capture accountability, thus improving cash collections. JFL's payer mix continues to improve. Both Medicare and Commercial charges have improved. Net Revenue will increase when contractual agreements and other mandatory healthcare adjustments, that reduce collections, are corrected.

Governor Juan F. Luis Hospital and Medical Center
Payer Mix
FYE 2011 - 2016

	2011	2012	2013	2014	2015	2016
Medicare	40%	40%	44%	42%	42%	42%
Medicaid	13%	15%	14%	17%	20%	20%
Commercial	22%	22%	19%	20%	21%	24%
Self-Pay/Other	25%	23%	23%	21%	17%	14%

Slide 7: Payer Mix 2011 - 2016

REVENUE ENHANCEMENT OPPORTUNITIES

TEFRA Rebasing:

In spring of 2014 JFL applied for TEFRA (Tax Equity and Fiscal Responsibility Act of 1982) Rate Rebasing with CMS. TEFRA is the rate used by CMS to calculate reimbursements to the JFL for Medicare claims. This rate is based on an audited cost report from the health institution. The TEFRA rate currently used by CMS to reimburse JFL for Medicare claims is based on the 18 year old cost report from 1996. In April 2016, key members of the JFL team, BKD audit lead, and legal representation from Ropes and Grey met face-to-face with CMS in Baltimore to further emphasize the basis for our request. We are still waiting on a response.

While JFL is reimbursed $10,000 per discharge, JFLH’s cost is $17,000 per discharge, resulting in an average loss of $7,000 per discharge. Approval of this appeal will result in JFL being reimbursed at a rate that reflects 2012 costs. This spring Ropes & Gray LLC submitted an over 1500 page response to a request for additional information. The application is currently being reviewed by CMS and we await a response any day. If approved, JFL will be reimbursed at a rate closer to current costs and would have the option to bill for the differential on claims submitted for Fiscal years 2013, 2014 and 2015.

VA Services

JFL is working with the VA to evaluate the vision of a dedicated wing/portion of the hospital to be used by VA patients exclusively. The model has not been finalized but the opportunities are endless.

Grant Funding

The Governor Juan F. Luis Hospital and Medical Center was constructed in 1982 as the only hospital on the Island of St. Croix. In 1989, Hurricane Hugo, a category 5 hurricane, destroyed the facility and it was later reconstructed in 1994. 1994 was the last time that any major work was done to the building and infrastructure. Recently, due to decline in the economy, the strain on the Virgin Islands central government's budget, JFLH has seen a marked reduction in revenues and governmental appropriations to support capital improvement projects.

To aid the facility in major capital construction projects, the administration in collaboration with identified partners has embarked aggressively in identifying, prioritizing and seeking other funding to maintain an aging building and infrastructure. One such means is through the auspices of grant funding.

To date with the help of dedicated JFLH employees and NexGen Strategic Consulting LLC we have accomplished the following:

COMPLETED GRANTS	APPROVED FUNDING
2014 Submissions	
• DOI-OIA Heat Wheel Refurbishment	$500,000.00
2015 Submissions	
• FEMA Mitigation Grant 2015	$312,500. 00
2016 Submissions	

- Maintenance Assistance Grant (MAP) $100,000.00
- Technical Assistance Grant (TAP) $400,000.00
- Community Development Block Grant *$650,000.00** $125,000.00

**Requested* *# Pre-approved*

Empower Insular Communities (EIC) $ 150,000- 2,971,000.00 available *No Funding Approved*

Total Awarded August 2014-April 2016 $1,437,500.00

2016 -2017 GRANT OPPORTUNITIES ***Estimated*** **FUNDING REQUESTED**

- Perimeter Fencing $ 320,000.00
- Waste Management hospital wide $ 685,000.00
    - *SteriMed/Red bag $185,000.00*
    - *Incinerator $475,000.00*
    - *Installation prep $ 25,000.00*
- Roof repairs remaining $450,000.00
- HVAC ducting refurbishing Phase 1 (Critical repairs needed) $420,000.00
    - *Employee entrance,*
    - *Maintenance hallway*
    - *Dialysis*
    - *PBX hallways*
- Air Handlers -5 units $ 2.7 million
- Oxygen Generator $392,000.00
- Well refurbish $330,000.00
- Parking lots resurface $ 250,000.00
- Parking lot and exterior surface lighting (energy efficient) $180,000.00 – 215,000.00

- Water filtration $350,000.00
- Transfer switches $30,000.00
- Communication upgrades Telephone/call bell system *To be determined*
- Emergency management items *To be determined*

MIS upgrades including: *To be determined*

Computers (Hardware/software)

Laptops/projectors for command post

TV's for patient rooms

Call bells for Patients rooms

Printers for units and offices

Scanners for archiving and scanning Meditech 5.67 upgrades for 2016

OPERATING BUDGET

Revenue

The revamped Revenue Cycle continues to demonstrate improvements both on charges and on the collections. Projected Gross Patient Revenue has improved by 14.7% FY 14 compared projected FY16. Contractual write-offs have improved from 74.6% in FY14 to 63.8% in FY16. Net Patient Revenue has improved by 40.4%.

Operating Expenses

JFL management team has been working diligently on identifying cost reduction opportunities. The reduction of overtime is expected to reduce cost an estimated $1M dollars annually. It is expected Salaries will increase in FY17 because of three newly hired physicians for the Emergency Room. Professional fees will decrease as we continue to hire physician positions currently be filled with Locum Tenens. The consulting fees previously being paid to The Greeley group and Ropes and Grey will be significantly reduced with a favorable ruling on the SIA. Supply cost remains an area JFL can continue to improve upon. Group purchasing with other government agencies, product review, and better inventory controls will all result in decreased supply costs.

Operating Margin

You will note, the audited FY15 year-end shows after the appropriations, we incurred a loss of ($5,078,299) as compared to the ($1,727,358) projected for FY16 as expected. The projected loss for FY17 (after appropriations) is down from a ($4.1M) loss in FY14 to an expected loss for FY17 of ($854K).

Performance Improvement

JFL is designing a PI Team consisting of executives, management, and ad-hoc physicians chartered to review all capital purchases, cost reduction efforts, billing accuracy, and cash availability. I will be leading this team and we will provide our measurable goals of the team through the chair in the next 30 days.

GOV. JUAN LUIS HOSPITAL
FY 17 OPERATING BUDGET

OPERATING REVENUE

	2014 Actual	2015 ACTUAL	MAY 2016 YTD	PROJECTED 2016	2017 BUDGET
Gross Patient Revenue	129,652,286	141,242,932	101,395,444	152,093,166	155,135,029
Contractual Adjustments	(96,820,071)	(93,105,788)	(64,689,041)	(97,035,440)	(98,976,148)
Net Patient Revenue	32,832,215	48,137,144	36,706,403	55,057,726	56,158,881
Other Revenue	797,406	1,322,574	445,786	668,679	669,000
GOVI Appropriations	36,488,830	31,439,650	13,365,288	20,190,031	20,148,874
Total Revenue	70,118,451	80,899,368	50,517,477	75,916,436	76,976,755
OPERATING EXPENSES					
Salaries and Wages	36,003,882	38,667,200	24,662,018	36,993,027	37,100,000
Fringe Benefits	6,846,653	8,321,281	5,778,128	8,667,192	8,718,500
Professional Fees	11,514,335	14,080,666	5,747,642	8,621,463	8,210,000
Medical Supplies	5,811,674	9,077,308	5,830,563	8,745,845	8,920,762
Operating Supplies	4,822,149	3,956,117	2,362,025	3,543,038	3,613,898
Utilities	5,680,428	4,773,863	2,327,589	3,491,384	3,500,000
Depreciation	3,211,361	3,931,614	3,310,921	4,966,382	5,050,000
Other	372,764	3,169,618	1,743,643	2,615,465	2,717,774
Total Expenses	74,263,246	85,977,667	51,762,529	77,643,794	77,830,934
OPERATING MARGIN	(4,144,795)	(5,078,299)	(1,245,052)	(1,727,358)	(854,179)

Slide 8=: FY 17 Operating Budget

Information Technology

JFL is currently in the process of completing Phase II of the Meaningful Use (MU) qualification process for Federal funding under the HITECH Act of 2009. JFL received $508K in MU dollars in FY15. We expect to collect another $502K in FY16/FY17. The potential funding is in a multi-year phased approach with the first year being FY2015 and a possible $1M in total funding. Leadership has approved and begun construction of the Data Center Refresh Project. The funding for this project was previously approved through the Capital Bond of 2014. The project scope will address:

- The need for expand broadband capacity for the organization.
- Convergence of portable hardware devices (e.g. smartphones, notebooks, and laptops).
- Enhanced network security.
- Replacement of hardware that in some cases is 15 years old.

Completion of the project is planned for the Fall of 2016.

Labor & Delivery Unit Renovation

Two rooms in the Labor & Delivery (L&D) and two units in the Post-partum units were remodeled as a result of a generous donation was made to the hospital. The nurses station in L&D remodeling was also completed in FY16. Some of the new features include Centralized Fetal Monitoring systems to provide telemetry monitoring for the fetus, new work station, and new cabinetry. Again, all as a result of generous donations made to the hospital.

Diagnostic Imaging

Women's Center

JFL would again like to thank 31st Legislators for their support on the Bill 31-0114 that funded the new Tomosynthesis – Technology The hospital will be able to provide better care, do new more in-depth procedures and generate more income. But, these procedures require a different monitor to view these advance images for studies apart from all other modalities currently.

Benefits of Tomosynthesis

- Fewer call backs for additional screening and testing.
- Simple detection shows the inner structure of the breast without the traditional distortion and shadowing.
- Faster detection as thin layers of tissue are shown separately and suspicious lesions from traditional a traditional 2D image can be ruled out as benign.
- Increased comfort because 2D and 3D images can be produced in a single compression.
- Improved imaging for large dense breast tissue.

JFL Outreach, Community Engagement and Partnerships

Donors

We sincerely appreciate the financial, in kind and volunteer contributions of our key stakeholders and supporters in the community during this fiscal year. Thank you for all that you have done to help JFL to continue to provide quality care to the residents and visitors of St. Croix. We would like to especially thank *The Cane Bay Partners VI, LLLP* and Green Leaf VI II, Inc. for their continued support and generous contributions.

Partnerships

University of the Virgin Islands School of Medicine

JFL has entered into an Affiliation Agreement with the University of the Virgin Islands to support School of medicine. Some of our physicians have been appointed to serve in leadership positions as well as faculty members. We look forward to exposing the students to the cutting edge technology available at JFL.

University of the Virgin Islands Nursing Program

JFL remains committed to partnering with the University of the Virgin Islands to provide internship opportunities for students in the Nursing programs.

Barry University

JFL continues to support its agreement with Barry University to provide internship opportunities for students in the PA program.

Emory University

JFL has engaged in a partnership with Emory University School of Nursing.. A cohort of eight students under the leadership of their professor, visited the hospital and spent approximately two weeks learning about performance improvement initiatives and clinical practices. The team was also engaged in clinical rounds, shadowed nursing staff, nurse leaders and case management.

The Emory University nursing students culminated their visit on June 19th with a thorough presentation on their activities to include solutions to existing practices. They made notable remarks about the hospitality and engagement of the JFL team with whom they interacted.

Community Outreach Projects

Partnerships and Outreach programs in FY16 and expected for FY17:

It is the goal of JFL to be a community partner and to that end in November, several members of the team participated in Project Homeless CONNECT on November 13, 2015. In December, our employees embarked on their first JFL Cares initiative and adopted two struggling families for Christmas from the Bethlehem House Shelter for the Homeless, providing Christmas meals, groceries and dozens of gifts on the families' wish lists.

Our Education department hosted a Community Health Fair at JFL on April 12, 2016 in collaboration with the Department of Health and Frederiksted Health Care. We provided free health screenings, counseling and on-site vendors, and saw more than 150 people. On May 21st, JFL participated in the American Cancer Society's annual Relay For Life fundraiser, and our employees and their families just wrapped up a 12-week Wellness program that included fitness classes, lifestyle workshops and cooking classes.

Our Human Resources and Public Relations departments have hosted Career tours for dozens of students from both the St. Croix Central High and St. Croix Educational Complex High schools. We've also provided tours of the hospital for other community groups.

The Patient Family Council, an advocacy group, continues to be supportive of the Gov. Juan F. Luis Hospital and Medical Center. Every two weeks, members of this group are on the grounds, landscaping and working to beautify the campus. The Council, in conjunction with the Artists' Guild and the St. Croix Senior Collaborative has embarked on a Healing Art Project, and so far, they have donated and hung photographs and artwork on the first two floors of the hospital. The Patient Family Council has also planned several fundraisers for JFL.

We expect to participate in more community activities, and will continue to be a community partner with the Department of Health and Frederiksted Health Care, and various other organizations to provide health education, and health screenings.

Marketing Plans for JFL

I would like to respect consideration of an annual marketing budget of $56,000 for FY17. JFL has been challenged with negative media coverage, and despite our best efforts professionally, we still have a negative image with some in the community. I can provide a more detailed breakdown as needed.

No.	PR Budget Area	Monthly	Annual	Details
1	Advertising		$20,000	Radio, TV, Print and Production costs
2	Marketing		$16,000	Tradeshows, other event presentations
3	Capital Projects		$15,000	Signage-Internal, External
4	Miscellaneous		$5,000	JFL Events & Activities
Total			**$56,000**	

We are in the process of developing a plan to market our service lines that include our Women's Imaging Center, Diagnostic Imaging Services, Orthopedics, Endoscopy, Laboratory Services, Women's Center (L&D and Postpartum) and the V.I. Cardiac Center. These services are often over-looked, and we provide excellent quality of care in these areas, many of which include state-of-the-art equipment, and the community isn't aware of them. We would also include the Emergency Department as an area of focus in our advertising plans, as we need to work on image repair of that department.

Our Marketing plans also include hosting town hall meetings, Open House tours of JFL, and more media tours (hitting radio and TV shows) to promote the services of JFL and the excellent patient care we provide. We have also received numerous requests about internal directories from the community, and that is one area we want to work on addressing… way-finding signs both internally and externally.

Fundraising

- PFC plans to do a Motown and Meatballs dinner in September that will include a silent auction.
- Old School 70's Party to benefit renovations to the ED (August 2016)

IN SUMMARY: OUR LEGACY, OUR FUTURE:

Our challenges are many but our opportunities are even more. Through planning, prudent fiscal management and oversight JFL is on a path to recovery. JFL has created a strategic plan that outlines an ambitious yet real plan for transforming JFL into one of the most outstanding and respected health care facilities in the region. Whether it is the state of the economy that inhibits the central government to provide its share of coverage for uncompensated care, the lingering financial scarcities at the organization, or the cost of caring for violent crime victims, we are confident that JFL will respond to the health care needs of a changing society.

At JFL, we pride ourselves in the quality of our patient care. Our medical, nursing, clinical and support staffs are committed to providing the highest level of attention to the needs of our patients to ensure that they have a comfortable experience before, during, and after their stay at the hospital. Our four star diamond CMS certified Dialysis Unit together with our Joint Commission accredited laboratory and our US Food and Drug Administration certified blood bank and Mammography program, all speak to the continuous and sustained quality of service to our patients and other customers. Our dedicated, passionate, and highly trained staff in Advanced Cardiac Life Support (ACLS) and Pediatric Advanced Life Support (PALS) certainly compliments our state of the art adult interventional cardiology, gastroenterology, orthopedic surgery, urology, neonatology practices that are well known and respected across the Virgin Islands and various parts of the region. The Virgin Islands Cardiac Center along with our catheterization lab and the Bennie and Martha Benjamin Conference Center together with our state of the art radiology diagnostic center and our revamped wound care therapy program provide quality care in a comfortable environment. Perhaps our greatest legacy is the engaged service and care provided by our highly qualified, board certified and fellowship trained culturally diverse medical staff.

In closing, I believe that there are three necessities for JFL to be on solid financial footing:

1. JFL must reduce costs and increase revenue through efficient billing and nurturing of profitable service lines.
2. The VI Government must fully compensate JFL for its uncompensated care. To include adjusting Medicaid rates to current costs.
3. CMS must rebase JFL to a base year that is much closer to its recent costs.

Thank you again for allowing me and the entire JFL family to serve the needs of our community and I would welcome any questions you may have at this time.