TESTIMONY TO THE COMMITTEE ON FINANCE
BY DYMA B. WILLIAMS, ACTING CHIEF EXECUTIVE OFFICER
OF THE GOVERNOR JUAN F. LUIS HOSPITAL AND MEDICAL CENTER –
FISCAL YEAR 2020 BUDGET REQUEST
July 2, 2019

Good Morning Honorable Senator Kurt Vialet, Chairman of the Committee on Finance, Honorable Finance Committee Members, Other Senators of the 33rd Legislature of the U.S. Virgin Islands present, and the listening and viewing audience, my name is Dyma B. Williams, RN, BSN, MJ, CPHRM, and I am the Acting Chief Executive Officer of the Governor Juan F. Luis Hospital and Medical Center (JFL). It is indeed an honor for me to appear before this distinguished body to present JFL’s budget request for FY2020.

This budget provides a transparent presentation of the ongoing challenges of a rural hospital required to meet all of the federal regulatory requirements, accept all patients, regardless of ability to pay, a lack of appropriate TEFRA rebasing reimbursements, the untimely and partial receipt of funds from cost audit reports, and the impact of uncompensated care not being matched dollar-for-dollar over several years, ultimately resulting in a reduced capacity to remain solvent as a result of these colliding factors.

I have organized my testimony into four major areas: (1) key accomplishments and highlights of the past 10 months will be presented, along with challenges faced; (2) areas of focus for FY2020; (3) presentation of JFL’s specific budgetary request; and (4) JFL’s plans for our upcoming move to the Temporary Hardened Structure (THS), and the projected new hospital build in five (5) years.
To assist with this presentation today is Acting Chief Operating Officer, Angeline Ravariere; Acting Chief Financial Officer, Shenel Moorehead; Chief of Human Resources Joan Jean-Baptiste; Chief Legal Counsel, Chivonne Thomas, Esq.; and Director of Facilities, Irvin Peters, Jr. Also present in the audience are key support personnel and our staff.

First let me say that Healthcare in the Territory is an essential necessity for all Virgin Islanders. As such, investing and reinvesting in all healthcare resources must be prioritized accordingly. We ask that you focus on the economic viability of the provision of healthcare for all Virgin Islanders by ensuring the adequate funding of the Governor Juan F. Luis Hospital & Medical Center.

**Economic Viability & Healthcare: the Impact of Uncompensated Care (slides 2-5)**

Pursuant to Title 19, Section 240 of the Virgin Islands Code, subsection (i), “Uncompensated care means the sum of unpaid or unreimbursed costs for health care services provided by the hospitals or health facilities after due diligence to collect . . . .“

From fiscal year 2014 to fiscal year 2019, JFL, has experienced a $114.4 million shortfall due to non-reimbursement of uncompensated care by the Virgin Islands Government. Further, the Executive Budget for fiscal year 2020 has allocated $22 million to JFL for a projected $35 million in uncompensated care. This would bring the total estimated shortfall to $127.4 million for the past seven (7) years, alone. We have included an Uncompensated Care fact sheet for your review in your presentation folders, which includes a definition for Uncompensated Care and our Payor Mix; we note that although page 10 of the post-audit report states that there is no definition for uncompensated care in the Virgin Islands Code, we request that you refer to Title 19, Section 240(i) of the Virgin Islands Code.
We are also at a distinct disadvantage due to our TEFRA rebasing. By way of background, when the Medicare statute was originally enacted in 1965, Medicare payment for inpatient hospital services was based on the reasonable costs incurred in furnishing services to Medicare beneficiaries by placing a limit on allowable costs per discharge. These antiquated rate limits do not always coincide with the actual costs of medical care. (slide 6) Every year, the cost of healthcare steadily increases and will continue to increase. Medicaid, Medicare and self-pay patients represent 78% of our payor mix. Without question, JFL is deeply impacted by these antiquated rates of reimbursement.

The Medicaid Fiscal Cliff is the loss of $31.3 million of funding in the territory due to the expiration of Medicaid funding that does not require a local/territory match. To give a brief overview, after Hurricanes Irma and Maria damaged the infrastructure of the Virgin Islands in September 2017, Congress included additional funding for the Virgin Islands in the Bipartisan Budget Act (BBA) of 2018 in the amount of $142.5 million (of which $35.6 million was conditional). Without Congressional intervention, this additional funding will expire at the end of September 2019. We have included a Medicaid Fiscal Cliff fact sheet as well as the Kaiser Family Foundation article that speaks to the negative impact to the Territory of the Fiscal Cliff in September 2019, in your presentation folders.

We are concerned that unless there is a substantial change in the way uncompensated care is managed, to include any and all future reimbursements from Medicaid Cost Audits, we will be further driven into insolvency.

While we are concerned, we are also optimistic. We believe in a future where there is a healthcare system that draws visitors from our sister islands, we envision a hospital where the hospital is viewed as an asset, and we further envision the hospital playing an integral role in
stabilizing the economy. The hospital of the future is not just a building with a certain amount of inpatient beds and/or a certain square footage, the premier hospital of the future must attract experienced talent, must be energy efficient, self-sustainable, and a mechanism for the innovation of healthcare and workforce development in the Territory. We anticipate and we are working to project the growth of our healthcare industry, inclusive of new innovations and service modalities for the next twenty (20) years and beyond.

**Key Accomplishments and Highlights from September 5, 2018 to Current**

In our current state, the existing JFL building, rebuilt in 1982, continues to demonstrate significant infrastructure compromise. JFL is often faced with emergency repairs that cost hundreds of thousands of dollars. The intent has and continues to be to maintain the functionality of JFL, while being responsible stewards of limited resources.

Until we can safely transition to the modular Hospital unit, we are challenged daily with our Environment of Care. Everyday, our JFL team members strive “*To drive the improvement in the health of those we serve, while exemplifying compassion and respect.*” In current state, meeting our Mission Statement is challenged by our reality, the continuous management of the Environment of Care in a hurricane-damaged facility. Everyday, decisions must be made, and priorities are prioritized, shuffled and re-shuffled.

*(slides 7-8)* Despite immense challenge, over the past year, JFL’s payables balance has decreased from $66 million to $54 million due to proper financial planning. Once Bill No. 33-0101 is finalized, we look forward to realizing a further reduction in our payables.

We are finalizing the hire of a grant writer on a contractual basis to seek funding opportunities for JFL. We intend to use future grant funding opportunities to provide for innovations in healthcare.
Thus far, as a JFL Team, we have pursued various grants and won them, including an IFC grant for workforce development, a $500,000 grant for the upgrade of our MEDITECH records system, a $73,700 grant for the purchase of communications equipment for emergency/disaster preparedness and to ensure proper evacuation of patients off island during instances of emergency; two Office of Insular Affairs (OIA) grants for $400,000 and $500,000 for equipment and supplies and the Heat Wheel remediation, respectively; and a Hazard Mitigation Grant through VITEMA. There are also other grant opportunities for regulated waste processing upgrades and energy efficiency solar power projects that JFL intends to pursue, shortly, using our grant writer.

(slides 9-13) We have implemented the use of a new billing company to improve our revenue cycle. For the month of May, we have already experienced a 6% increase in our billing and look forward to continuing this upward trend. We have also implemented several in-house practices to ensure that we are properly billing for the medical care provided by locum tenens (contracted physicians) while they practice at JFL. This increased vigilance has resulted in a reduction of approximately $600,000, or a 14.2% decrease in incomplete/delinquent accounts for billing.

Although the build of the Temporary Hardened Structures has been met with challenges, we have taken every opportunity to reduce delays through remaining engaged and reminding all stakeholders, at every junction, “this is a hospital.” We have established a new change order process. With this change order process, JFL can account for any financial and project management changes to our contract. We have also successfully completed several audits of JFL’s finances.

We have increased our recruiting and retention efforts in order to reduce clinical and non-clinical overtime. We are also organizing trainings for our managers and supervisors on the front lines to ensure that our workforce is being managed and to ensure a continued rise in employee morale and stability, despite JFL’s challenges.
JFL’s Challenges and Specific Budgetary Request

Due to substantial water intrusion and physical damage to JFL post-hurricanes Irma/Maria, there was a significant reduction in the capacity of the organization to include: (a) complete closure of the third floor, which housed our medical and surgical units; (b) a reduction in Operating Room (OR) services, from three (3) ORs to one (1) OR; and (c) a reduction in bed capacity, from 80 in-patient beds to 46. In addition, there was also a loss of outpatient Dialysis and Interventional Cardiology services.

As a direct result, JFL relocated Medical and Surgical Units from the weather damaged compromised third floor to the Virgin Islands Cardiac Center. Subsequently, a Modular Hospital was procured by the prior administration, to ensure that we continue to provide optimal patient care services.

The reduction in the inpatient bed capacity and the functionality of the Operating Rooms has significantly impacted the revenue streams of JFL. The Operating Rooms of any healthcare organization are key revenue generators. In effect, loss of one OR reduces revenues streams by approximately $1 million per month.

(slides 14-16) In addition, there has been a heavy reliance on off-island transfers to hospitals in Puerto Rico and on the mainland due to the loss of inpatient bed capacity and a lack specialty services. Reliance on off-island transfers for services that were previously offered at JFL is costly. On average, there is one (1) patient transferred off island per day, everyday. This results in millions of healthcare dollars leaving the island of St. Croix and the separation of families when they are most vulnerable and in need of family support.
**Increased Operating Costs**

JFL is projecting total expenses for FY2020 of $87 million versus total revenues of $69.4 million (including the $22 million that has been included in the Executive Budget). This will result in a budget shortfall of $17.4 million. The projected expenses for FY2020 represent a 30% increase of FY2019 actual and projected expenses. This 30% increase assumes the high cost of remediating the Environment of Care issues currently facing JFL, as well as certain economic factors, such as an increase in the population due to the reopening of the refinery, the increase of recovery workers on island and the general re-expansion of the population.

*(slides 17-19)* JFL’s newest budget challenge is providing a 10% match for JFL’s FEMA restoration projects. The projected revenues for FY 2020 represent a 20% increase of FY2019 actual and projected revenues. The 20% increase represents the opening of the THS, which will allow JFL to offer more revenue generating services.

**Increased Uncompensated Care Costs**

As a result of the return of the refinery, as well as increased recovery construction work, JFL must be prepared to handle different types of emergencies, such as burns, high-level falls, blunt force trauma, and traumatic crush injuries, whether the patient is insured, uninsured, or underinsured. The increase in the uninsured population due to population re-expansion and the fiscal cliff will negatively impact uncompensated care and JFL’s revenues. This projected increase is reflected in our budget request.

**Interagency Debt (slide 20)**

JFL is also burdened by interagency debt. The total owed by the different government agencies for services provided by JFL is over $8.8M. The agency with the largest balance is the
Department of Labor Workman’s Compensation division which owes a little over $4M. Included in the PowerPoint is a report detailing each agency that carries a balance for monies owed to JFL.

Essentially, the high cost of payables, the increase in unmatched uncompensated care costs, the historically low TEFRA reimbursements, the decrease in allotments, the approximate 8 to 10 year delay in reimbursement from Medicaid cost audit reports, the high amount of interagency debt, coupled with the increase in operational expenses and the reduction in the ability to generate revenue, has ultimately resulted in financial crisis at JFL.

As the only safety net acute care hospital facility on the island, the cost of uncompensated care plays a major role in the financial solvency of JFL. As you may recall, when we appeared before the Committee on the Whole on June 5, 2019, we requested funding to address several challenges created, in part, by a lack of reimbursement for uncompensated care and a delay in reimbursement based on cost audit reports.

Below, we again, provide a summary of JFL’s priorities:

1. **Repairs to the five (5) Air Handler Units**
   a. Repairs to the Infrastructure Casing that supports the Air Handler rooms
   b. Repairs to the damaged HVAC system
   c. Air Quality Testing & Management

2. **Repairs to our Motor Control Room** - (this is the electrical hub of the hospital) - approximate cost of these repairs is $2 million.

3. **Decrease of off-island patient transfers**

4. **OR stability and sterilization repairs/replacement.** - New Sterilizers, $300,000

5. **Restoration of Lines of Service** – Returning interventional cardiology services - $1 million plus the costs of purchasing new cardiology supplies.
6. **Vendor payments** - The hospital will need to ensure past due payments to vendors that supply services, equipment maintenance, and emergency repairs to the building.

7. **Critical Hires** - need to occur given the upcoming move to the Temporary Hardened Structures and the anticipation of doubling JFL’s inpatient bed capacity,
   
   a. Physicians
   b. Nurses
   c. OR clinical staff
   d. ED clinical staff
   e. Allied health professionals
   f. Support staff

8. **Critical equipment and supplies purchase** - To support JFL’s transition to the Temporary Hardened Structures critical staffing is needed to support an increased bed capacity.

   **Temporary Hardened Structure, Projected New Hospital Build And Areas of Focus for FY 2020**

   As we move from the current JFL facility to the Modular Temporary Hardened Structure and the New Hospital Build in 2025, we have identified several areas of focus:

   1. **Workforce Development Initiatives** - In anticipation of re-expanding the in-patient capacity with the move to the Temporary Hospital, there is an aggressive workforce development plan in place. Of immediate critical need are Allied Health Professionals, clinical staff for the Operating Room, the Emergency Department, and the Intensive Care Unit. Project Management support is also needed for the management of daily JFL operations, the temporary hospital build project and the projected state-of-the-art new hospital build.

   2. **Patient Access** - JFL is poised to offer our patients electronic access to their electronic health information system, an ability to pay bills online, schedule appointments for
follow-up, track prescriptions, etc. through a patient portal. As a result of the receipt of the grant for the MEDITECH system upgrade and the ability to provide electronic health records, we are also interested in taking the next step, which is increasing patient engagement and access to medical records.

3. **Pursuit of Grant Funding/Health Resources and Services Administration (HRSA)**
   - we will be hiring a grant writer by the end of July. We have several applicants that we have interviewed so that we may pursue grant funding opportunities more aggressively. Through HRSA designation, we will be able to hire more nurses and facilitate student loan forgiveness.

4. **Re-Expansion of Service Lines/New Service Lines** - Based on data tracked in-house we will be re-expanding cardiology and orthopedic services. Further, a feasibility study will be completed in the near future, and we will be re-expanding lines of service and also adding lines of service we have not provided to patients, historically.

5. **Community Engagement** - JFL is the community’s hospital and we want community stakeholders to share with this Executive Team how JFL can improve the wellbeing of the community and best meet their healthcare needs.

6. **Continuity of Interagency Collaboration** - much collaboration has been initiated with multi-disciplinary agencies; we continue to foster improvement in the delivery of our healthcare services through interagency collaboration.

7. **Maintenance of CMS Certification and Pursuit of Joint Commission Status** - JFL is committed to maintaining CMS certification (meeting federal regulatory standards for quality care and patient safety) and pursuit of Joint Commission status (exceeding federal regulatory standards for quality care and patient safety)
We would like to thank the entire JFL Family for being the very foundation of the healthcare system that we are working to build in the Territory. The dedication of JFL’s Team members is unparalleled. Not only do they perform their duties with pride, but we bring them into construction meetings, and they drive the innovations in healthcare we intend to incorporate in our move to the temporary modular and in the future, the new hospital build. We have made strides and continue to move forward with their tremendous support. To the JFL Executive Team and the St. Croix District Governing Board, chaired by Dr. O. Anne Treasure, and board members Aracelis Walcott and Faye Jean-Baptiste, who are our warriors for improvement in the provision of healthcare by JFL, we say “Thank You.” We also thank the Territory Board, chaired by Cornel Williams, for their service to JFL as we cannot serve the needs of our community without your continued support.

I want to thank Senate Finance Chair Kurt Vialet, and the members of the Finance Committee for the opportunity to provide this testimony today and I look forward to any questions you may have.