

Items from  
Special District  
Board Meeting of  
June 28, 2016  
including:  
handouts and  
presentations

# AHS/Alameda Hospital Payer Contracting Status and Strategy

June 28, 2016

Delvecchio Finley, CEO  
David Cox, CFO

# Overview

- AHS has the responsibility for governance, operations and oversight of Alameda Hospital (AH); specifically, to maintain AH as an Acute Care Hospital with an Emergency Department that can provide vital services to the entire community.
- We have met this responsibility through the implementation of a comprehensive performance improvement plan, including a Contracting Strategy which sought to align AH/AHS with payers who were willing to provide fair compensation for services.
- This strategy has been very successful overall and AH and the community is benefitting from this in terms of financial stability, reinvestment in programs and services, facilities, equipment, human capital, and ensuring that all vendors are paid.
- The Contracting Strategy has been very successful; agreements with HealthNet, United, Kaiser, Canopy Health, and many other payers. Negotiations continue with Anthem, CIGNA, and Aetna, and they have been distracted by merger related turnover.
- AHS's desires to work cooperatively and constructively with ACHD, the AH Medical Staff, and the community to meet local needs while ensuring the long-term viability of Alameda Hospital. We recognize that this market shift can affect physicians disproportionately based on their individual payer mix and want to work to create a successful model for everyone.
- AHS does not view the current resolution, in its present form, as constructive or realistic in accomplishing that objective. but we have recommendations on how to work together to accomplish our mutual objectives.

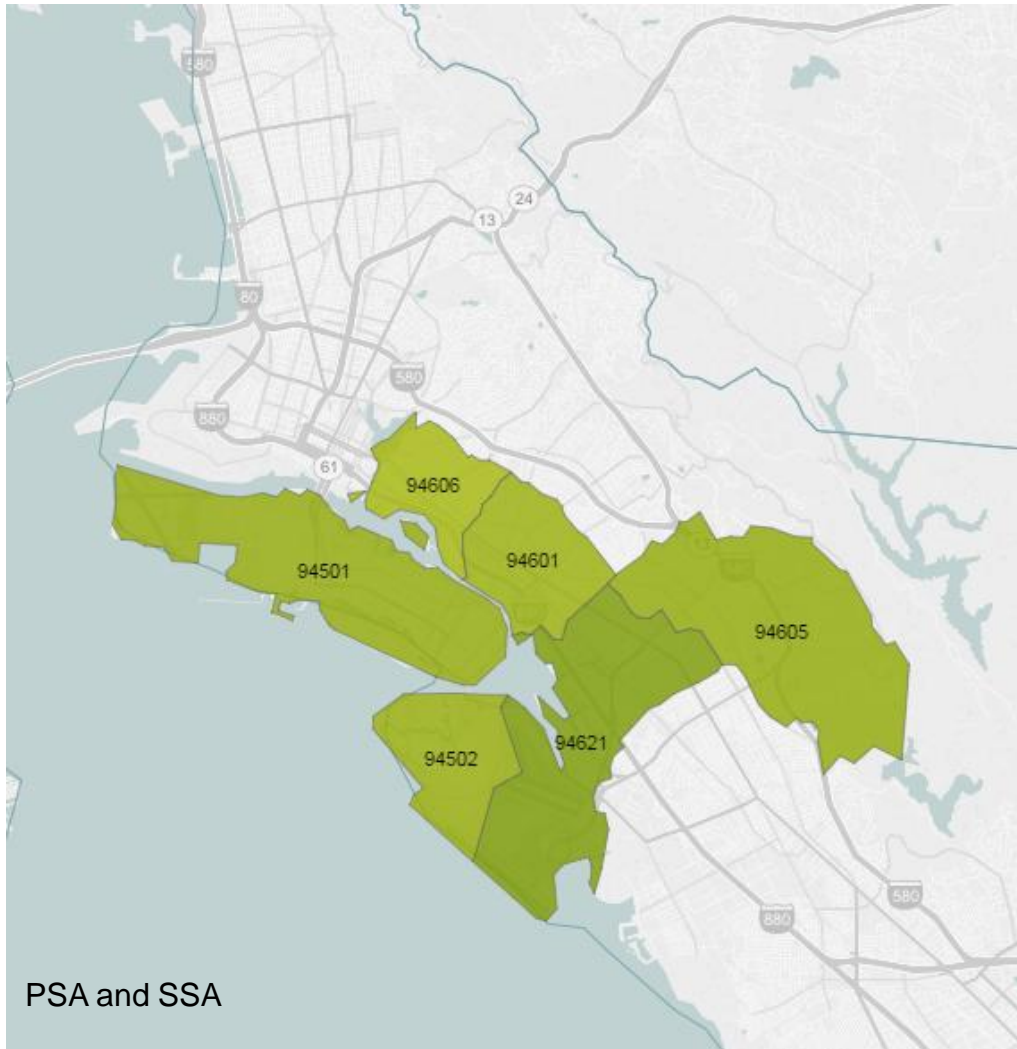
# Alameda Hospital has contracts with most payers and is in negotiations with the other plans.

Participating	Not Participating
<b>Commercial Health Plans</b>	
Affinity IPA	Aetna (in negotiations)
AHS Employees - Freedom of Choice	Anthem (in negotiations)
HealthNet	Blue Shield
Hill Physicians IPA	
Kaiser (ED/Subacute/SNF)	
United/Pacificare	
<b>Medicare Advantage Health Plans</b>	
AARP (United Health Care)	Humana (Aetna)
Affinity IPA	
Brown & Toland	
Care 1st (Blue Shield)	
Easy Choice	
Health Net	
Hill Physicians IPA	
Kaiser (ED/Subacute/SNF)	
<b>Medi-Cal Managed Care Plans</b>	
Alameda Alliance	Anthem Medi-Cal (in negotiations)
Centers for Elders	
<b>Other: Tricare/UMVS, Medicare, Medicare Supplemental, Medi-Cal Traditional, HealthPac, and Designated Public Hospital Programs</b>	

# Commercial Plan Update

- **Anthem/Blue Cross** – focused on the acquisition of CIGNA and are experiencing significant personnel turnover. They have expressed a desire for a contract and we are re-starting negotiations.
- **Blue Shield** – is in a strategic relationship with Stanford/Affinity, and we believe that they are going to actively redirect referrals to their network. They have not responded to our repeated requests to meet.
- **Aetna** – focused on the Humana acquisition and also have a strategic relationship with Stanford/Affinity for their Medicare Advantage product, but they have indicated that they desire a contract with AH. We are awaiting their proposal.
- **Canopy Health (previously BAACN)** – expected to initiate operations on August 1<sup>st</sup>, with the UC employees. AHS is a participating provider and wants to become a risk-bearing entity (dyad). We expect significant future commercial volume in this Plan, and AH has preferable rates.
- **Alameda Alliance** – Medi-Cal Managed Care has been identified as a the growth area for Commercial Plans. AH/AHS is positioned to thrive in the only market that is growing.
- **Medicare** – There appears to be some confusion about this, but AH is a participating provider and contracts with the vast majority of MA Plans. There is absolutely no issue with Medicare access.

## Market: Inpatient Discharges from Alameda zip codes have been declining



- The primary service area for Alameda Hospital is two zip codes (94501, 94502) for 85% of inpatients,
- **Demographic trends in service area, project a 5% growth in population in next five years, fueled mainly by growth of 65+.**
- **Despite these projections, overall inpatient discharges from patients living in primary service area has been trending down (-7%).**
- Alameda Hospital leads in overall market share at 27% in 2014, but **AH's commercial market share was only 10.9%** and has been declining for years.
- **Medicare is AH's largest payer, followed by Medi-Cal, and in-migration is primarily Medi-Cal.**

# Strategic Assessment

- As a freestanding facility, Alameda Hospital (AH) was largely excluded from competing commercial narrow networks and has been losing market share since at least 2008. Due largely to its **lack of a dedicated primary care network**, AH has not been viewed as necessary in the Commercial market place for many years, and its Commercial **market share declined to less than 11% as of 2014.**
- In an effort to maintain a commercial presence, **AH signed commercial agreements at rates that were well below cost, which accelerated its financial deterioration,** resulting in an inability to pay vendors or invest in programs, and led to the decision to affiliate with AHS.
- AHS' obligation is to maintain AH as an Acute Care Hospital with an Emergency Department; this has been accomplished through a comprehensive turnaround strategy, including a contracting strategy requiring fair payment, but also an improved revenue cycle, obtaining Designated Public Hospital Reimbursement, and adding new payers.
- Although this strategy has been largely successful (United, HealthNet, Kaiser, PPO's) **AHS does not currently have the leverage to force commercial payers** to the table.
- Rather, we have had to appeal for fair rates based on our position in the community and potential participation in competitive products, while adding new contracts such as Canopy Health

# AHS Commitment and Recommendations

- AHS will continue to expedite contract negotiations, will use the leverage of other AHS facilities, and will commit to our best rates.
- AHS will establish a dedicated Help Line and well trained staff to assist patients in evaluating their options to access services at Alameda Hospital.
- AHS will implement an outreach and communications program with our Medical Staff and other local providers to clarify misconceptions about access (particularly Medicare) and to ensure that procedures to access services are understood and working well. Jerri Randrup will provide more detail on the program.
- AHS will engage the AH Medical Staff in a strategic planning process to align our future actions toward the mutual objective of long term success for all parties.
- Alameda residents who want to access Alameda Hospital through an uncontracted Plan should be encouraged to:
  - Contact our Help Line to understand their options.
  - Write letters of support to their Plans, requesting the inclusion of AH in the networks.
  - Ask the Benefit Directors of their employers to contact the Plans directly to discuss the importance of the inclusion of Alameda Hospital in advance of the open enrollment period.
  - Switch to one of the Plans for which Alameda Hospital is already contracted.



# The Resolution

Although we support the intent of the resolution, we have significant issues with the current language, as drafted:

- There is no practical way to implement the resolution, even if approved, and AHS is already doing everything possible to complete negotiations.
- We believe the resolution, even if implemented, would place the future of Alameda Hospital in jeopardy, threatening access to vital community services.
- The resolution further weakens the negotiating position of AH/AHS without bringing any leverage to bear on the Plans who have not, up to this point, thought AH important enough to their members to devote the time to negotiate with AHS.

Rather, AHS respectfully suggests the following Resolution for consideration:

**“Resolved: AHCD endorses AHS’s efforts to expand access to the community in a fiscally prudent manner, including continued efforts to negotiate fair and equitable agreements with all commercial health plans. We encourage the AH Medical Staff and the community and businesses of Alameda to contact their health plans and emphasize the importance of Alameda Hospital as part of their provider networks”.**

# Supplemental Material

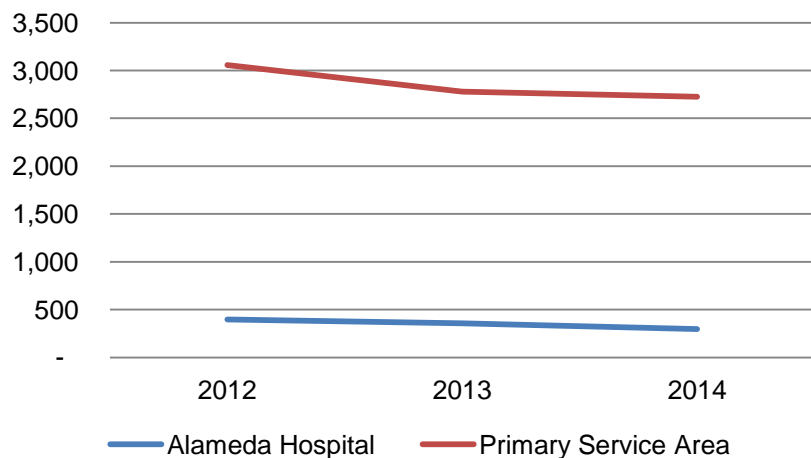
# Comments on the Resolution

	Proposed Resolution	Comment
1	"many residents ... are now unable to access healthcare in their community"	AHS has many contracts to provide access to AH, which has only an 11% commercial market share as of 2014. All patients have access to AH Emergency Services without restriction and AH has implemented a Prompt Pay Discount Policy to allow PPO patients to utilize elective services with no increased cost.
2	"physicians ... must refer patients off-island"	The Commercial market has evolved into narrow networks and some systems are actively referring patients to non-AHS providers. AHS is doing everything possible to expand access to Alameda Hospital in a fiscally prudent manner.
3	"the future of Alameda Hospital is in jeopardy"	The future of Alameda Hospital has been preserved by the comprehensive turnaround plan that has been implemented evidenced by paying vendors, improving staffing and compensation, acquiring new equipment, and repairing physical plant. The proposed resolution would jeopardize the the future of Alameda Hospital and disrupt AHS' overall contracting strategy, which has been very successful.
4	"mission statement of ACHD includes oversight of the operation of Alameda Hospital"	ACHD has ceded responsibility for governance, management and oversight of Alameda Hospital to AHS. AHS has taken financial responsibility for operation of AH along with the commitment to maintain AH as an acute care hospital with an Emergency Department. AHS has crafted and implemented a plan that has successfully done that.
5	"residents cannot use AH because AHS has cancelled contracts"	As part of our contracting strategy, we provided notice of termination with the intent to renegotiate for Plans that were paying AH below cost and/or market. The strategy has been very successful overall and we continue to negotiate with these plans and to add new plans. Residents have many options to access AH for services.
6	"requests AHS to ... re-establish those contracts within one month"	The proposal is not practical or constructive, but AHS is very interested in working with ACHD, the AH Medical Staff, and the community to raise the level of attention of the Plans that have, hitherto, evidenced no interest in having AH as part of their contracted provider network.

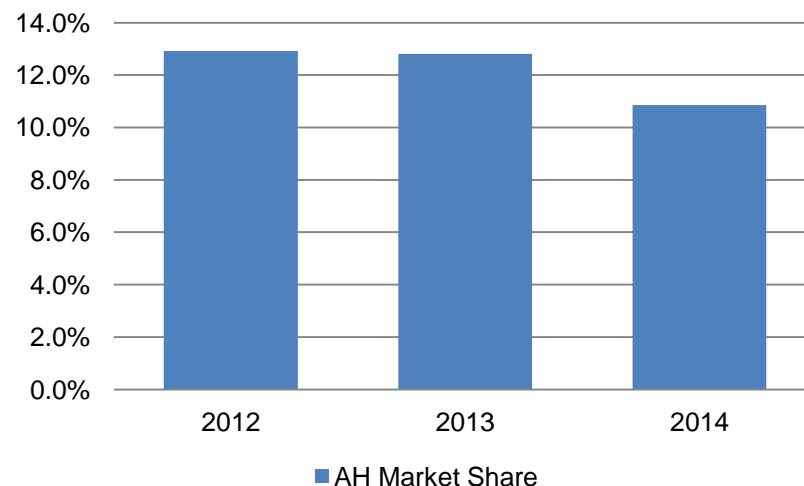
Alameda PSA and Alameda Hospitals Commercial Discharges trending down, and AH Commercial Market Share in PSA is only 10.9%.

	2012	2013	2014	% Chg
Alameda Hospital	395	356	296	-25.1%
Primary Service Area	3,057	2,778	2,726	-10.8%
	2012	2013	2014	% Chg
AH Market Share	12.9%	12.8%	10.9%	-2.1%

**Commercial Discharges - PSA**



**Commercial Market Share - PSA**



## MARKET TRENDS IN PRIMARY SERVICE AREA (PSA)

- **Total Discharges from the Alameda PSA are declining, despite the growth in the Medicare population.**
- **Medi-Cal is the only growth area in the PSA.**

	2012	2013	2014	2014-13
COUNTY INDIGENT PROGRAMS			14	
MEDI-CAL	1,058	1,089	1,174	85
MEDICARE	2,876	2,850	2,559	-291
OTHER GOVERNMENT	149	175	169	-6
OTHER INDIGENT	16	2	3	1
OTHER PAYER	6	14	11	-3
PRIVATE COVERAGE	3,057	2,778	2,726	-52
SELF PAY	178	180	134	-46
Unspecified	131	152		-152
WORKERS' COMPENSATION			17	17
<b>Grand Total</b>	<b>7,473</b>	<b>7,240</b>	<b>6,808</b>	<b>-432</b>

# Payer Mix Trends of Inpatient Discharges for Alameda Hospital (AH)

## Growth area for Alameda Hospital is Medi-Cal

### Inpatient Discharges Alameda Hospital

SA_Alameda	2012	2013	2014
AHD Primary Service Area	2,204	2,206	1,870
AHD Secondary Service Area	269	301	292
Grand Total	2,473	2,507	2,162

SA_Alameda	Financial Class	2012	2013	2014	Trends
AHD Primary Service Area	MEDI-CAL	302	322	321	0%
	MEDICARE	1,419	1,437	1,217	-15%
	OTHER PAYER	1			
	PRIVATE COVERAGE	395	356	296	-17%
	SELF PAY	81	87	35	-60%
	Unspecified	6	4		
AHD Primary Service Area Total		2,204	2,206	1,870	-15%
AHD Secondary Service Area	MEDI-CAL	93	85	122	44%
	MEDICARE	130	132	107	-19%
	PRIVATE COVERAGE	27	54	46	-15%
	SELF PAY	19	28	16	-43%
	Unspecified		2		-100%
AHD Secondary Service Area Total		269	301	292	-3%
Grand Total		2,473	2,507	2,162	-14%

- Medicare patients makes up 65% of inpatient discharges from AH's primary service area.
- Discharges from patients in primary service area trend down, while Medi-Cal discharges from patients in secondary service area increased in 2014.

## Market (PSA) Inpatient Share Trends:

Institution	2012	2013	2014	DROP	SHARE
ALAMEDA HOSPITAL	2,204	2,206	1,870	-15%	27%
ALTA BATES SUMMIT MED CTR-ALTA BATES CAMPUS	1,039	1,034	1,012	-2%	15%
KAISER FND HOSP - OAKLAND CAMPUS	1,391	1,327	1253	-6%	18%
ALTA BATES SUMMIT MED CTR-SUMMIT CAMPUS-HAWTHORNE	584	537	433	-19%	6%
HIGHLAND HOSPITAL	440	453	432	-5%	6%
CHILDRENS HOSPITAL AND RESEARCH CTR AT OAKLAND	254	228	275	21%	4%
UCSF MEDICAL CENTER	145	182	171	-6%	3%
KAISER FND HOSP - SAN LEANDRO			165		2%
CALIFORNIA PACIFIC MED CTR-PACIFIC CAMPUS	191	151	130	-14%	2%
KAISER FND HOSP - WALNUT CREEK	144	112	95	-15%	1%
AHD Primary Service Area Total	7,473	7,240	6,808	-6%	

Inpatient discharges from patients in **primary service area (PSA)** declining across all hospitals.

Only Children's Hospital has seen uptick in volumes from these zip codes.

## Out-Migration Trends

*Out Migration is patients living in zip codes within Alameda Hospital's primary service area (PSA), seeking care in facilities outside PSA.*

### Trends:

- Declining inpatient admissions for patients living in Alameda's PSA, seeking care outside of Alameda Hospital.

Institution	2012	2013	2014	2014-13
ALTA BATES SUMMIT MED CTR-ALTA BATES CAMPUS	1,039	1,034	1,012	-22
KAISER FND HOSP - OAKLAND CAMPUS	1,391	1,327	1253	-74
ALTA BATES SUMMIT MED CTR-SUMMIT CAMPUS-HAWTHORNE	584	537	433	-104
HIGHLAND HOSPITAL	440	453	432	-21
CHILDRENS HOSPITAL AND RESEARCH CTR AT OAKLAND	254	228	275	47
UCSF MEDICAL CENTER	145	182	171	-11
KAISER FND HOSP - SAN LEANDRO			165	165
CALIFORNIA PACIFIC MED CTR-PACIFIC CAMPUS	191	151	130	-21
KAISER FND HOSP - WALNUT CREEK	144	112	95	-17
EDEN MEDICAL CENTER		96	87	-9
ALTA BATES SUMMIT MED CTR-HERRICK CAMPUS	97	85	72	-13
STANFORD HOSPITAL	60	64	71	7
JOHN MUIR MEDICAL CENTER-WALNUT CREEK CAMPUS	42	40	68	28
KAISER FND HOSP - SAN FRANCISCO	88	61	63	2
REST	794	664	611	-53
Grand Total	5,269	5,034	4,938	-96



## In-Migration Trends

*In- Migration is patients coming from zip codes outside Alameda Hospital's primary service area to Alameda Hospital.*

### Trend:

- Declining inpatient admissions from all payers excepting increase in Medi-Cal admits

Financial Class	2012	2013	2014
MEDI-CAL	219	204	291
MEDICARE	362	361	342
PRIVATE COVERAGE	145	160	146
SELF PAY	62	75	34
Unspecified	5	9	
WORKERS' COMPENSATION			9
Grand Total	793	809	822

**Out Migration by Service Line**, shows increased outmigration (2013-14) for Women's Health, and Orthopedics.

Overall out migration shows declining admits across other service lines.

Service Line Group	2012	2013	2014	2014-13
Cancer	268	319	274	-45
Cardiovascular	463	441	369	-72
General Medicine/Surgery	1,640	1,519	1,463	-56
Neonatology/Normal Newborn	868	810	849	39
Neurosciences	254	288	252	-36
Orthopedics	359	345	373	28
Other	369	338	340	2
Spine	101	88	88	0
Women's Health	947	886	930	44
Grand Total	5,269	5,034	4,938	-96

In-Migration by Service Line, shows increase (from 2013-14) for GI, Endocrine, Ortho, Spine and Gynecology. Decreased in-migration for Cardiology and Dermatology.

Service Line	2012	2013	2014	(2014-13)
Allergy and Immunology	1	4	3	-1
Breast Health	2	2		-2
Cancer	17	24	20	-4
Cardiology	110	96	83	-13
Dermatology	31	41	33	-8
Endocrine	25	10	32	22
ENT	1	2	3	1
Gastroenterology	81	84	103	19
General Medicine/Surgery	127	117	115	-2
Gynecology	9	14	30	16
Infectious Disease	180	171	139	-32
Nephrology	10	15	20	5
Neurosciences	54	57	54	-3
Obstetrics	5	6	1	-5
Ophthalmology	1	1	1	0
Orthopedics	40	40	54	14
Psychiatry	15	36	34	-2
Pulmonology	53	60	55	-5
Rheumatology	6	2	1	-1
Spine	7	11	24	13
Urology	13	7	11	4
Vascular	5	9	6	-3
<b>Grand Total</b>	<b>793</b>	<b>809</b>	<b>822</b>	<b>13</b>

**In-Migration by Procedure:** Increase in Primary Hip Replacement, Hysterectomy and Spine procedures. Payer trends show increased admits from Medi-Cal

Procedure	2012	2013	2014	2014-13
Major Therapeutic	25	31	35	4
Primary Hip Replacement	6	3	23	20
Hysterectomy	6	8	21	13
Appendectomy	13	15	14	-1
Fracture Repair	9	8	12	4
Spinal Decompression/Laminectomy		2	11	9
Cholecystectomy	16	15	10	-5
Lumbar/Thoracic Spinal Fusion	1	1	7	6
Skin Graft	1	4	6	2
Primary Knee Replacement	11	7	5	-2
Rest	19	22	24	2
Grand Total	107	116	168	52

Financial Class	2012	2013	2014	2014-13
MEDI-CAL	18	17	69	52
MEDICARE	41	47	52	5
PRIVATE COVERAGE	37	44	31	-13
SELF PAY	9	4	9	5
Unspecified	2	4		-4
WORKERS' COMPENSATION			7	7
Grand Total	107	116	168	52

**Out Migration by Payer**, shows increased outmigration (2013-14) for Medi-Cal, and declining trends for Medicare, and other payers (unspecified).

Financial Class	2012	2013	2014	2014-13
COUNTY INDIGENT PROGRAMS			14	
INVALID/BLANK	2		1	
MEDI-CAL	756	767	853	86
MEDICARE	1,457	1,413	1,342	-71
OTHER GOVERNMENT	149	175	169	-6
OTHER INDIGENT	16	2	3	1
OTHER PAYER	5	14	11	-3
PRIVATE COVERAGE	2,662	2,422	2,430	8
SELF PAY	97	93	99	6
Unspecified	125	148		-148
WORKERS' COMPENSATION			16	16
<b>Grand Total</b>	<b>5,269</b>	<b>5,034</b>	<b>4,938</b>	<b>-96</b>

## **SAMPLE LETTER**

Date

Dear [Name, Health Plan]:

I'm writing to express my support for an agreement between your health plan and Alameda Hospital. I am appealing to you on behalf of your plan members who reside on the island of Alameda and pay current market rates for their plan premiums. We deserve the opportunity to choose the local hospital that has served our community for more than 120 years. Among many services including the stroke center, wound care center, medical and surgical care provided to residents, Alameda Hospital is the only provider of emergency services on the island. As I'm sure you realize, minutes count when unexpected chest pain, a stroke, or serious injury occurs to a resident on the island who may not be able to reach out of community care during peak traffic commute times.

I realize that all patients, including those with your health plan, are allowed by law to seek care from the closest emergency department, regardless of whether the hospital is contracted or not. My concern is the disruption of care required by a transfer once the patient is stabilized; taken away from their home community causing their family and friends to travel to visit their loved one. Access to outpatient services has also been affected which has made it more difficult to have the tests and procedures that keep your plan members healthy and help doctors plan care. I also believe this is not fair to your members who pay their premiums in good faith with the expectation that they will have local choice.

I urge you to speak with AHS who has to date ensured that Alameda Hospital continues the provision of local health care for residents on the island. I understand the goal of AHS is to secure fair reimbursement rates for the cost of care provided to your plan members. As an essential health care provider, AHS can no longer afford to subsidize the low rates that several health plans have enjoyed for years. I trust you understand and will do everything in your power to achieve a mutually agreeable solution.

Sincerely,

Name

Copy: Benefits Department

*[Send your letter to the address found on the back of your health plan membership card.]*



# Alameda Hospital

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A member of Alameda Health System

2070 Clinton Avenue  
Alameda, CA 94501

Dear Patient,

Thank you for choosing Alameda Hospital for your health care needs. Our goal is to be your community hospital provider of choice that is convenient and close to home.

You may have heard that we are in negotiations with your insurance company to discuss reimbursement for the quality care we provide. Although your health plan is currently not participating with Alameda Hospital, we remain committed to meeting your health care needs. In fact, you still have a choice for your health care and we offer financial options for you to continue using Alameda Hospital while paying the same out of pocket expense.

We have financial counselors available to review options with interested patients. This means:

- You may continue your health services at Alameda Hospital.
- Our Admitting and Registration staff can assist you with reasonable payment options by calling 510-814-4641.
- If you've received care at Alameda Hospital and have a question about your bill, please call 510-618-2106.

If you are a Medicare member, please know that there are no restrictions on plan network participation regardless of your supplemental plan. If you need emergency services, you are allowed by law to seek treatment from the nearest emergency department regardless of whether the hospital is contracted with your health plan or not.

We know that you have many options when it comes to health care. It is our hope you will continue to choose Alameda Hospital as your provider of choice for quality care for you and your family.

Chief Administrative Officer