



How Northeast Ohio Hospitals are Evolving to Serve their Communities

CHANGING ENVIRONMENT, CHANGING MARKET

- Medicaid Cuts
 - Targeted by 39 states in 2011 budget cycle
 - Additional cuts planned by 46 states for next cycle
 - Ohio among the states facing reductions in both budget cycles
- Medicare Cuts
 - \$155 billion in payment concessions for health reform
 - Lawmakers often use provider cuts to pay for other things
 - Medicare margins negative for hospitals since 2004
- Medicare & Medicaid Underpayment
 - Medicare = \$0.90 per \$1.00
 - Medicaid = \$0.89 per \$1.00

2010 Economic Characteristics

	Unemployed	Below Poverty	No Health Insurance
U.S.	10.8%	15.3%	15.5%
Ohio	11.4%	15.8%	12.3%
Ashtabula	12.0%	14.9%	13.1%
Cuyahoga	13.0%	17.9%	12.5%
Geauga	7.4%	7.7%	10.3%
Lake	9.6%	9.5%	10.6%
Lorain	10.7%	14.2%	9.6%
Medina	7.8%	7.7%	9.3%

- High Unemployment
- High Foreclosure Rate
- Rising Gas Prices
- Rising Food Prices

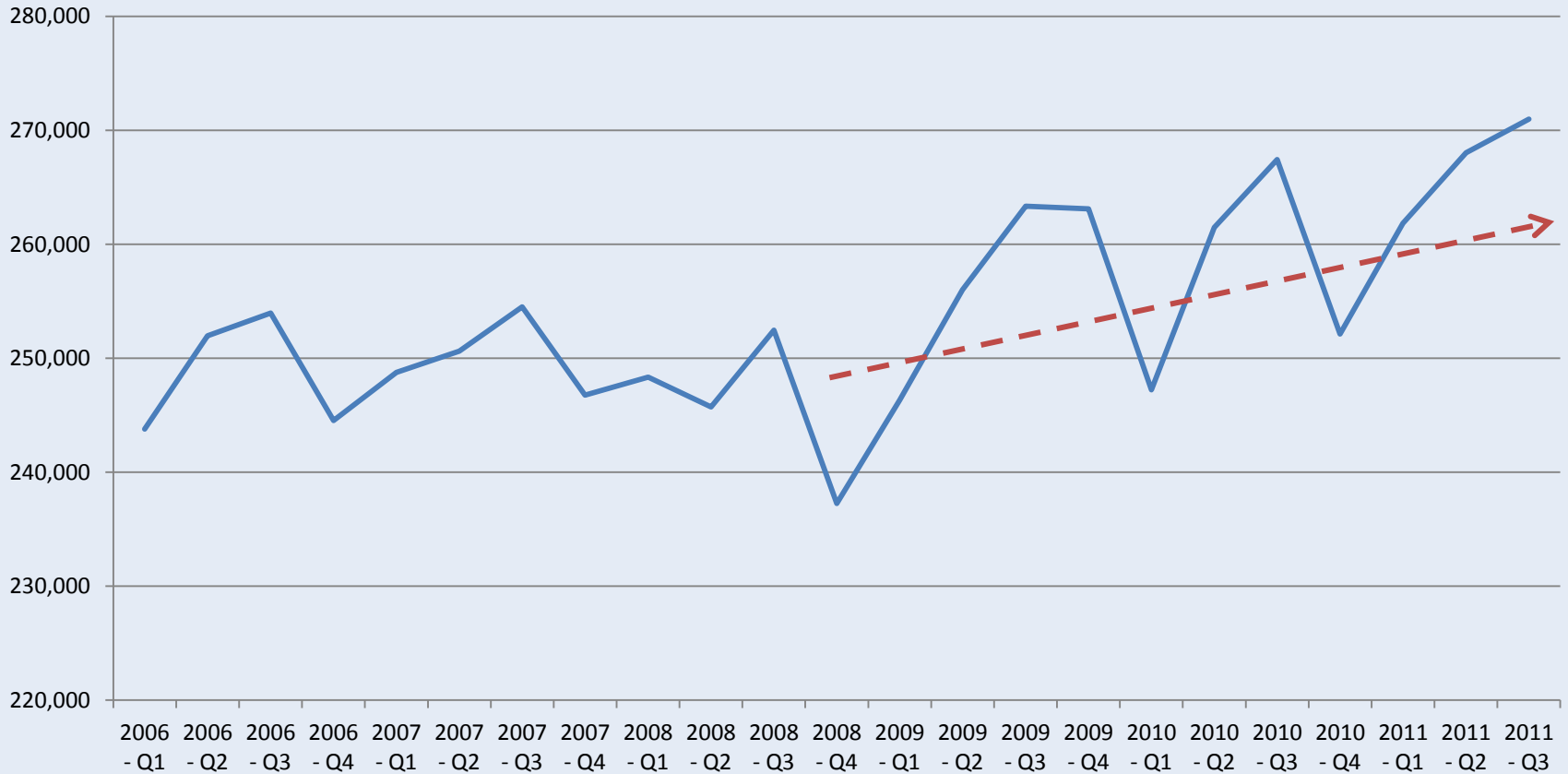
- Northeast Ohio uncompensated care
 - \$674 million in 2010
 - Represents 24% increase over 2009
 - Rises when economic conditions are unfavorable
- Charity Care
 - Care provided without the expectation of receiving payment
- Bad Debt
 - Care provided for which expected payment is not received

- Payers reimburse at different rates
- A strong proportion of payers that pay more favorably is helpful (e.g. private insurers)
- A strong proportion of payers that pay less favorably is challenging (e.g. Medicaid)
- Payer mix is shifting toward Medicaid in Northeast Ohio
- Monthly Medicaid rolls rising in Ohio since 2004

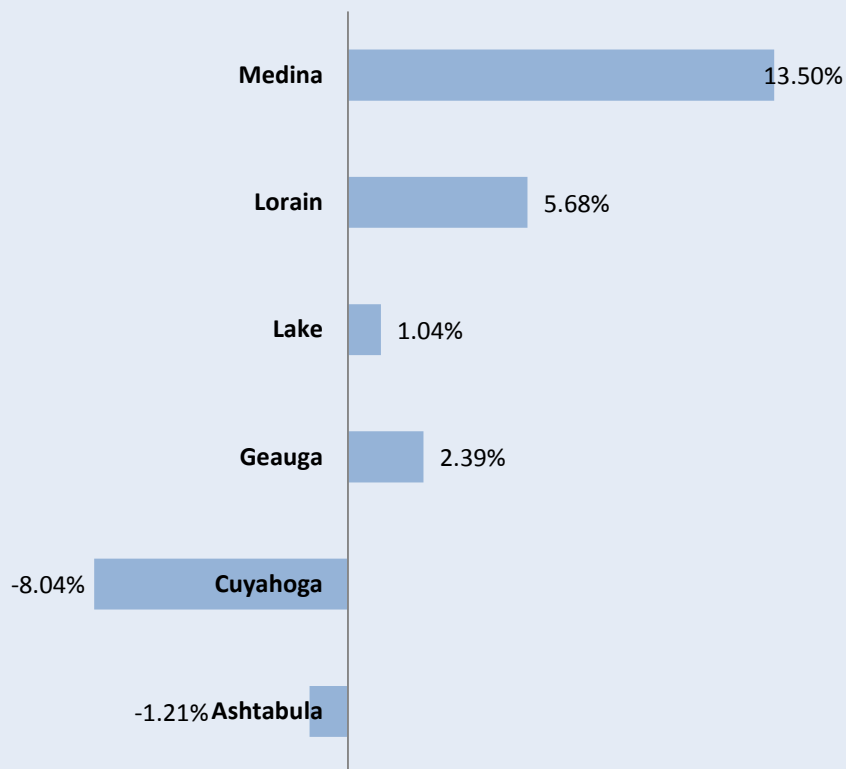
Northeast Ohio Marketplace

Emergency Department Visits

**Emergency Department Visits
Northeast Ohio Hospitals**



Percent Change in Population by
County, 2000-2010



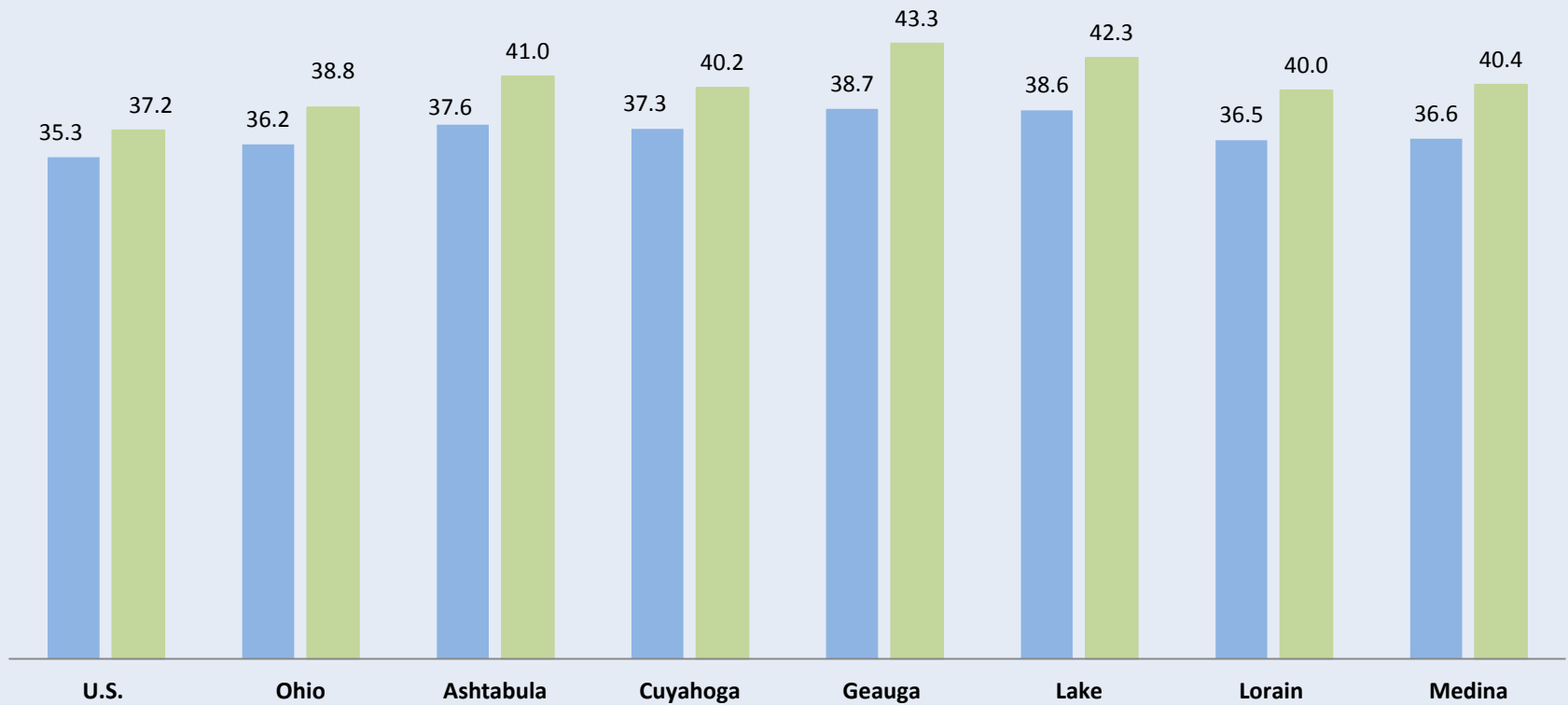
- Net loss of 71,956 residents 2000-2010 in Northeast Ohio
- 3.2% population decline
- Cuyahoga County lost 111,000 residents
- City of Cleveland lost 17% of its population
- Trend of population shifting away from Cleveland & Cuyahoga to outlying suburbs

Northeast Ohio Marketplace

Age

Median Age

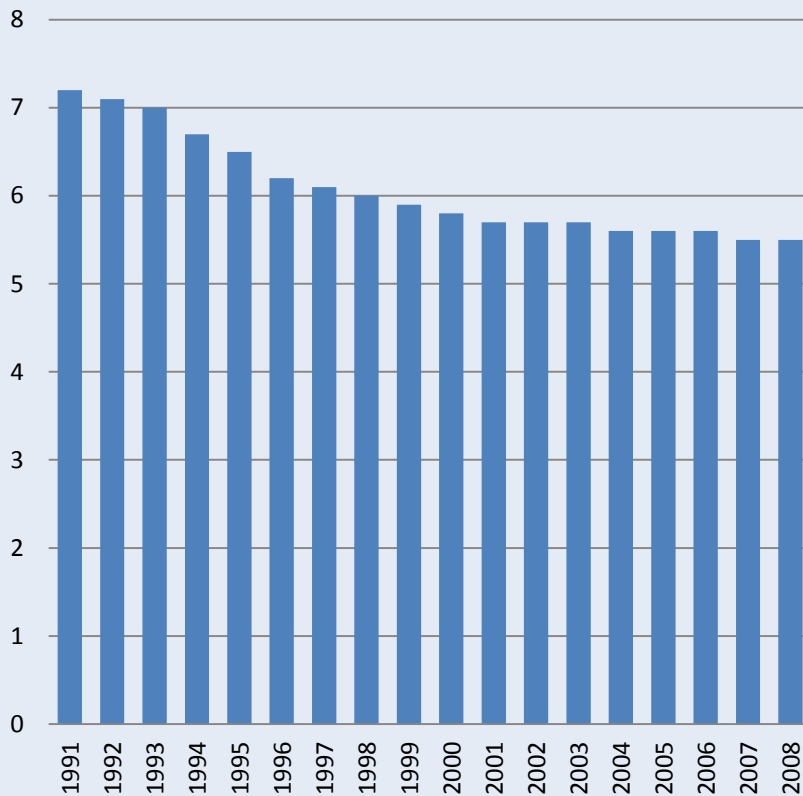
■ 2000 ■ 2010



- The difficult environment compels hospitals to adapt
- Financial factors can be difference between staying open and closing
- Efficiency has become pivotal

Declining Average Length of Stay

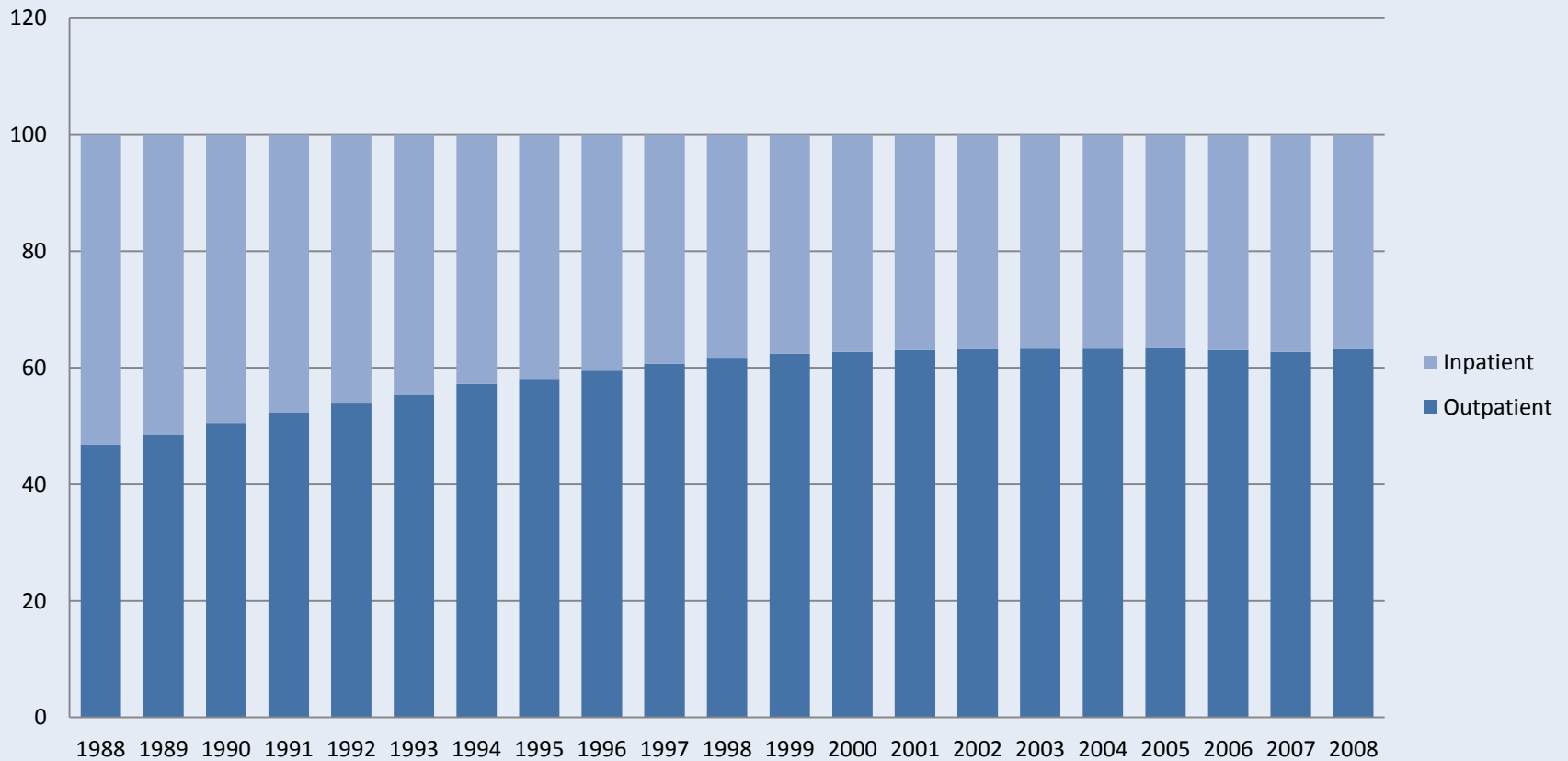
U.S. Community Hospitals'
Average Length of Stay



- Improved medical technology
- Less invasive surgery
- Discharge to post-acute care setting
- Inpatient prospective payment system incentivizes efficiency & shorter stays

From Inpatient to Outpatient Care

**U.S. Hospitals' Inpatient & Outpatient Surgery
as a Percent of Total Surgeries**



- Hospitals strive to increase efficiency further
- Role of hospital as provider of all services for all healthcare needs is shifting
- Hospitals concentrating services in fewer facilities
 - Where they excel
 - Where they are needed
- Eliminating services where volume is low
 - Maximize use of resources
 - Ensure sufficient volume to promote quality outcomes

- Hospitals must increase capacity
 - Where demand is on the rise
 - Where demand is projected to rise
- In Northeast Ohio hospitals have:
 - Expanded their EDs
 - Built off-campus EDs
 - Opened urgent care centers
 - Built new facilities in areas with growing population
 - Increased inpatient rehabilitation capacity

- Chronic Disease is Prevalent
- Hospitals Have a Role to Play
- Hospital Role is Shifting
- Northeast Ohio Hospitals Have:
 - Implemented free health screening & education programs
 - Spearheaded farmers' markets/city farming initiatives
 - Created smoking cessation programs
 - Banned smoking on their campuses
 - Refused to hire people who smoke
 - Led the way with workplace wellness programs

Suggestions for Stakeholders

- Support decisions that improve efficiency even when they change the way services have traditionally been delivered.
- Interpret changes carefully and realize that adjustments must be made from time to time to keep hospitals financially viable.
- Ask lawmakers to support constituents by ensuring hospitals are adequately funded.
- Educate yourself on managing your chronic conditions and participate in initiatives to improve health and prevent illness.