

**SEMINOLE COUNTY GOVERNMENT  
AGENDA MEMORANDUM**

**SUBJECT:** Orlando Regional Medical Center (ORMC) Level I Trauma Center Funding

**DEPARTMENT:** County Manager      **DIVISION:** \_\_\_\_\_

**AUTHORIZED BY:** J. Kevin Grace      **CONTACT:** Robert Frank      **EXT.** 7212

<b>Agenda Date</b>	<u>9/9/03</u>	<b>Regular</b>	<input checked="" type="checkbox"/>	<b>Consent</b>	<input type="checkbox"/>	<b>Work Session</b>	<input type="checkbox"/>	<b>Briefing</b>	<input type="checkbox"/>
		<b>Public Hearing – 1:30</b>	<input type="checkbox"/>	<b>Public Hearing – 7:00</b>	<input type="checkbox"/>				

**MOTION/RECOMMENDATION:**

Board direction on allocating funds from the FY 2003/2004 General Fund Budget to ORMC's Level I Trauma Center.

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**BACKGROUND:**

In April of this year, ORMC approached the County to request funding assistance for the Level I Trauma Center's "on-call" physician staff for an additional 18 months of operation. Funding requests were also made to the City of Orlando and the 5 Counties located within the trauma district: Orange, Seminole, Osceola, Lake and Sumter. Seminole County's requested share was \$600,000.00.

ORMC estimated a shortfall of \$5.8 Million in physician reimbursement costs for the period ending September 30, 2004 to be shared among Orlando, the counties, and Orlando Regional Health Care. Should the Board wish to approve a funding allocation to the trauma center, staff has calculated alternate funding scenarios for the County in addition to the \$600,000.00 request from ORMC. A detailed analysis of the trauma center funding issue is included herein as Attachment A.

If the Board intends to allocate funds to the Trauma Center, it is staff's recommendation that it be based upon the modified formula contained in the attached staff report which would result in a Seminole County share of \$348,000. It is also staff's recommendation that any funding be considered a one-time only contribution without any commitment to on-going financial support.

<b>Reviewed by:</b>	_____
<b>Co Atty:</b>	_____
<b>DFS:</b>	_____
<b>Other:</b>	_____
<b>DCM:</b>	_____
<b>CM:</b>	<u>[Signature]</u>
<b>File No.</b>	<u>RCM01</u>

## **ATTACHMENT A**

### **Analysis of Orlando Regional Medical Center's Funding Request to Continue Regional Level I Trauma Center Services**

Orlando Regional Medical Center (ORMC) provides emergency trauma care to the Central Florida region as a Level I trauma center. A Level I facility is committed to 24 hour staffing of certified physicians in surgical, neurological and radiological specialties, along with 24 hour availability of operating suites to care for the most critically injured patients immediately upon arrival at the hospital. A Level I Trauma Center is an integrated program of care that relies on the coordinated efforts of a multidisciplinary team of trauma experts to provide the highest survival potential for a person who has experienced a critical injury or illness. Level I sub-specialty care capabilities exceed those services available in the community hospitals and Level II trauma centers. There are currently six Level I centers located outside the Orlando area: Pensacola, Ft. Lauderdale (2), Tampa, Miami and Jacksonville.

#### **TRAUMA CENTER FUNDING**

Funding for Level I centers within the state varies from county to county, however each of the 5 non-ORMC facilities receives public funding from an ad valorem or sales tax (see Appendix A). ORMC receives no public funding outside of miscellaneous governmental grants and/or awards. Orlando Regional Healthcare has underwritten the costs for the ORMC Trauma Center for the past 20 years, and has indicated that they cannot continue to support the full costs of this regional service.

#### **CURRENT CONCERNS**

*Rising Costs.* ORMC has cited the growing cost of operating a Level I trauma center as the reason for the recent request for public funding. Increased demands from the physicians who support the "community model" of staffing the trauma center, along with increased costs for medical malpractice insurance have brought the funding issue to the forefront. ORMC states that costs associated with the community model became problematic early this year.

In the community model, ORMC's trauma center contracts for coverage of various medical specialties from providers within the community. Reimbursement rates from ORMC to the private physicians and groups of physicians must be sufficient to cover losses from the physicians' primary practice for up to 8 days per month. Beginning in February, 2003, several physicians requested significant increases to their per diem rates, most likely partially associated with increased malpractice insurance costs; however there

appears to be a shift from the volunteer, community service orientation of the physicians to a more cost-effective reimbursement structure which covers the physician's costs related to their absence from their primary practice. The community model is dependent upon participating physicians "volunteering" to cover shifts at the trauma center, and is susceptible to crisis when physicians drop from the trauma center rotation. The community model is also more susceptible to the increased financial demands of the contract physicians since their participation is critical to the trauma center's continued operation and success. This model is not utilized in the other Level I centers within Florida.

*Possible Closing of the Trauma Center.* There is a definite benefit to each of the counties served by ORMC and the trauma center, and its closing would have an effect on the quality of health care available for the Orlando metropolitan area. Should the trauma center cease operations, certain costs would most likely increase as the County would assume additional responsibility for indigent care cases deflected from ORMC to Seminole County hospitals. In addition, minor to moderate costs would be incurred in transporting patients to the Level I trauma centers in Tampa and Jacksonville. As an overall quality-of-life issue, loss of the trauma center would be a significant factor to be considered for the entire region.

*Public Funding of Private/Not-for-profit hospitals.* Public funding of Private/Not-for-profit organizations is not uncommon, and is the method many communities use to fund their trauma centers as an alternative to providing an extremely costly service by a governmental facility. Issues relative to Government in the Sunshine and accessibility to public records (e.g. financial data) would need to be addressed once a private/not-for-profit facility is being financed or subsidized by public funds. Should financial support be approved, it is important to consider whether the precedent of funding private institutions will increase in scope. Other organizations (local emergency rooms for example) which provide public services may lobby the Commission for financial assistance when faced with a future crisis or budgetary challenge. Requests from non-profit corporations for minor financial subsidies already exceed the County budget allocations each year-- and are not expected to decrease with the grim fiscal environment local governments are facing for the next several years.

## **ANALYSIS OF ORMC PROPOSAL**

*Funding Proposal.* Since ORMC is a private, non-profit hospital, detailed financial information is not readily available and hospital management has been reluctant to provide it. Discussions with ORMC executive staff have revealed a \$212 Million reserve account held for future capital expansions. Summary financial data submitted by ORMC is attached as Appendix B.

In addition, hospital staff has cited the difficulty in separating cost data related to trauma services from the overall hospital budget since they do not categorize expenses in this manner. ORMC staff has provided limited historical financial data showing a \$1.5 Million increase in trauma center physician's fees from September 1, 2001 to September 1, 2002.

The hospital's proposed interim solution to the problem was drafted by ORMC's executive staff and presented to the Orange County Chairman in mid April of 2003. Subsequent meetings with the elected officials of Osceola, Seminole and Lake County were held to divulge the methodology of the funding request. The proposal brought forth a public subsidy formula to pay for the anticipated additional costs of physician coverage for the period of April 2003 through September, 2004 of \$5.8 Million. Hospital staff has committed to placing these requested funds in a trust account to be used specifically for physician reimbursements only and will not use these funds to finance trauma center operational costs.

The ORMC proposal splits the needed \$5.8 Million among the central Florida region as follows: ORMC would fund one third at \$2 Million; Orange County would provide \$1.9 Million; Seminole, Lake and Osceola Counties would fund \$600,000 each; and Sumter County would provide \$100,000. Rationale behind this funding scenario was that ORMC and Orange County would fund one third each, and the remaining counties which benefit from the trauma center's services would fund one third, allocated by percentage of each county's population utilizing the services.

The funding strategy raises concerns because it is not based upon a strict allocation according to each county's served population. When allocated based upon the number of cases per county, a more logical scenario for the requested publicly-funded \$3.8 Million (total amount exclusive of ORMC's contribution) would be as follows:

<u>County</u>	<u>% of cases</u>	<u>Allocation by %</u>
Orange	64	\$2,430,000
Seminole	12	460,000
Lake	12	460,000
Osceola	10	380,000
Sumter	2	72,000

*Ongoing Funding.* Discussions with ORMC Staff have revealed that any proposed funding solution is anticipated to be an interim solution to the problem,

with a permanent resolution to be developed prior to September, 2004. ORMC staff has also stated that they cannot guarantee trauma center operation will continue even if the requested funds are granted; since the trauma center does not directly employ the sub-specialty physicians, they cannot force them to take trauma call rotations. All indications appear that ORMC will pursue some type of on-going public funding mechanism to cover operational costs of the trauma center in the future and move from the community model to directly-employed physicians.

### **SUMMARY/RECOMMENDATIONS**

ORMC provides a valuable service to the population of Central Florida, and the closing of the trauma center would have a definite impact upon the quality and availability of health care in the region. The County is not equipped, however, to fund these services on an ongoing basis with its current revenues.

If the BCC determines that funding assistance would be in the public interest, staff recommends the following:

- ORMC funds 50% of the required \$5.8 Million from reserves
- The remainder should be allocated among the 5 counties based upon usage (Seminole County share would be \$348,000). This could be funded over two fiscal years for to reduce the budgetary impact
- Authorization would be for a one-time funding assistance only

This recommendation is contingent upon ORMC actively pursuing an agenda to address the cost of providing Level I trauma services to Central Florida on a continuing basis, and the trauma center moving from the community model of providing physician services to the employee model.

APPENDIX B

Cash and investments  
Orlando Regional Healthcare and Controlled Affiliates  
September 30, 2002

*In thousands*

<u>Balance sheet description</u>	<u>Amount</u>		
Cash and cash equivalents	140,134		(1)
Short-term investments	7,173		(1)
Assets limited as to use:			
Debt service and reserve funds held by bond trustee	77,951		(2)
Funds to pay interest during construction held by bond trustee	14,715		(3)
Construction and equipment funds held by bond trustee	80,214		(4)
Designated by board for property and equipment	117,935		(1)
Designated by board for malpractice self insurance	29,393		(5)
Long-term investments	<u>15,427</u>		(6)
	<u>482,942</u>		
<u>Further descriptions</u>	<u>Total</u>	<u>Restricted</u>	<u>Unrestricted</u>
(1) These amounts are not restricted by external parties. However, our bond covenants mandate that Orlando Regional maintain 60 days of unrestricted cash on hand. This required a balance of \$123,555 at September 30, 2002.	265,242	123,555	141,687
(2) These are debt service reserve funds and cash on deposit with the bond trustee required for the next regular payment of payment of principal and interest on long term debt. These funds are not available for any other use.	77,951	77,951	
(3) Funds to pay interest during construction held by bond trustee and restricted to this purpose by the bond documents	14,715	14,715	
(4) Funds held by the bond trustee for the restricted purpose of completing certain construction projects	80,214	80,214	
(5) Actuarially determined reserve required for self insured general and professional liability claims	29,393	29,393	
(6) Donated funds held by Orlando Regional Healthcare Foundation	<u>15,427</u>	<u>15,427</u>	
	<u>482,942</u>	<u>341,255</u>	<u>141,687</u>

APPENDIX B

Statement of Revenues and Expenses  
ORMC Trauma Center

	<u>Fiscal Year 2002</u>	<u>Fiscal Year 2001</u>
Net patient service revenue	40,786,911	38,826,410
Direct variable expense	20,676,324	18,604,880
Direct fixed expense	3,889,854	4,518,284
Teaching physician expenses net of collections	3,754,750	3,219,490
Indirect expense	13,833,197	12,135,747
	<u>42,154,125</u>	<u>38,478,401</u>
Excess of expenses over revenues	<u>-1,367,214</u>	<u>348,010</u>
Impact of incremental physician call cost		
Estimated amount for one year	3,866,667	
Requested support from Counties	<u>2,590,667</u>	
Remainder to be funded by Orlando Regional	1,276,000	
Excess of expenses over revenues with additional call costs funded by Orlando Regional	<u>-2,643,214</u>	

Payor mix

Commercial insurance (mostly auto insurance)	49%
Managed care	13%
Medicaid and Medicaid HMO	10%
Medicare	3%
Self Pay (no insurance)	22%
Other	3%
	<u>100%</u>

Major Board Approved Capital Projects  
Orlando Regional Healthcare System  
June, 2003

*Amounts in 1,000s*

<u>Project</u>	<u>Amount</u>
Women's and Infants Hospital	120,000
ORMC project	31,300
Sand Lake Hospital expansion	18,158
South Seminole Hospital expansion	18,113
Clinical Information System	<u>25,000</u>
	212,571

APPENDIX B

Financial Information  
Orlando Regional Healthcare

Net Income History (Excess of Revenues over Expenses)

<b>FY ended September 30</b>	<b>Net Income (1,000s)</b>	<b>Total Margin</b>	<b>Income from Operations (1,000s)</b>	<b>Operating Margin</b>
1999	4,941	0.70%	-9,682	-1.40%
2000	24,804	3.00%	8,163	1.00%
2001	30,149	3.40%	16,311	1.80%
2002	17,100	1.80%	8,804	0.90%

Total Physician Costs:

<b>FY ended September 30, 2001</b>		<b>FY ended September 30, 2002</b>	
On Call Pay for All Specialities	\$7,176,883	On Call Pay for All Specialities	\$8,390,648
Less Collections	\$2,479,284	Less Collections	\$2,169,885
<b>Net Expenses</b>	<b>4,697,599</b>	<b>Net Expenses</b>	<b>\$6,220,763</b>

\*\$5.8 million equals estimated incremental physician on call costs in addition to currently incurred costs listed above. Collections come from a limited amount of employed physicians. The incremental physician costs will be all to private (non-employed) doctors so the collections will not change much

## EXHIBIT B

## Orlando Regional Healthcare System, Inc. and Controlled Affiliates

## Consolidated Balance Sheets

*(In Thousands)*

	September 30	
	2002	2001
<b>Assets</b>		
<b>Current assets:</b>		
Cash and cash equivalents	\$ 140,134	\$ 134,286
Short-term investments	7,173	5,159
Assets limited as to use	30,297	23,990
Accounts receivable, less allowance for doubtful accounts of \$38,132 in 2002 and \$44,988 in 2001	134,289	142,542
Other receivables	10,969	11,675
Other current assets	24,477	12,965
Net assets of discontinued operations	-	1,499
<b>Total current assets</b>	<b>347,339</b>	<b>332,116</b>
<b>Assets limited as to use:</b>		
Debt service and reserve funds held by bond trustee	77,951	66,292
Funds to pay interest during construction held by bond trustee	14,715	-
Construction and equipment funds held by bond trustee	80,214	3,077
Designated by board for property and equipment	117,935	110,621
Designated by board for malpractice self-insurance	29,393	27,081
	<b>320,208</b>	<b>207,071</b>
Less amount required to meet current obligations	(30,297)	(23,990)
	<b>289,911</b>	<b>183,081</b>
Assets held for sale	9,269	24,501
Long-term investments	15,427	22,155
Investments in related parties	117,290	121,616
Other assets	48,747	54,409
Property and equipment, net	404,789	368,051
<b>Total assets</b>	<b>\$1,232,772</b>	<b>\$1,105,929</b>
<b>Liabilities and net assets</b>		
<b>Current liabilities:</b>		
Accounts payable and accrued expenses	\$ 78,266	\$ 82,902
Other current liabilities	39,726	36,799
Current portion of long-term debt	9,531	8,232
<b>Total current liabilities</b>	<b>127,523</b>	<b>127,933</b>
Long-term debt, less current portion	600,285	501,825
Accrued malpractice claims	25,994	21,036
Other noncurrent liabilities	48,125	39,845
<b>Total liabilities</b>	<b>801,927</b>	<b>690,639</b>
<b>Net assets:</b>		
Unrestricted	404,912	385,430
Temporarily restricted	24,428	28,409
Permanently restricted	1,505	1,451
<b>Total net assets</b>	<b>430,845</b>	<b>415,290</b>
<b>Total liabilities and net assets</b>	<b>\$1,232,772</b>	<b>\$1,105,929</b>

*See accompanying notes.*

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