

June 2008

FINANCIALLY SPEAKING

Much progress was made in the month of April operationally, and EBITDA was a loss of (\$855,535). (March reported loss was \$934,996). Acute care admissions were down from prior month 9% or by (49), and ALOS a 5.5 days was unchanged. Emergency Department visits were down 2%, and all other O/P visits were up 36% primarily due to the new Laboratory service with Hadley and Capitol Hill Medical Centers. Deliveries were up 5% but still low at 41 for the month of April.

Worked FTEs were down 11% compared to March. Agency FTEs used during the month was down

5 ½ FTEs and overtime was down another \$36,000, as compared to the prior month. We are continuing to manage our labor productivity and costs very well, even during this lower census period. Our analysis shows that census was low at most DC hospitals over the last 45-days. It remains essential that we increase the number of monthly admissions by 50 or more over the next 90 days.

added two coding specialists. Mr. Garcia reports to Barry Harding, Chief Financial Officer.

PERSONNEL

Jeremiah Garcia, BBA, AS, RHIT, will become our new Director of Health Information Management. Jeremiah will begin his employment on June 16th, replacing Ms. Sara Herring, Interim Director from QHR. Jeremiah is coming to DC to be closer to his family. He is currently employed as Director of HIM at a 471 bed hospital in Pine Bluff, Arkansas. We have also recently

Joyce Williams, has joined our staff as Interim Director of Case Management, and is a consultant with QHR. Ms. Williams' two month assignment is part of the QHR management fee. We previously conducted an effectiveness audit on our case management program, and as we expected we have many opportunities to improve the performance of

our case management program. We created an action plan, and we have already begun its implementation. We are conducting a search for a new permanent director. Our action plans, when fully implemented, will reduce previously denied patient days and admissions; shorten ALOS; increase 23-hour observation stays; and improve the timeliness of transfers to our sister LTACs; thus, substantially improving our financial performance. Ms. Williams reports to Mary Ellen Esser, Vice President Compliance and Quality Improvement.

Scott Pedersen, previously a Perot

"Our focus is to manage costs, improve quality and service and grow our patient volumes".

*Gary Rowe, Interim
CEO*

PERSONNEL CONT...

employee, directs our business office, and agreed to become an employee of the hospital as our Director of Patient Financial Services effective June 1st, when Perot's services were terminated. During March and April we prepared an operations plan to begin operating the business office ourselves. Early execution has gone well, and we anticipate a smooth transition. Mr. Pedersen reports to Barry Harding.

Peggy Fender, RN joined our hospital family as a full-time permanent Director of Risk Management. Peggy worked for GSCH previously; left us for a Risk Manager position at George Washington University Hospital (she worked at GWU hospital for twelve years); and has returned home. Ms. Fender reports to Mary Ellen Esser.

MEDICAL STAFF

Many initiatives are underway with our medical staff.

- Several new physicians have applied for privileges.
- We continue work on the revision of our Medical Staff Bylaws and Rules & Regulations.
- We continue efforts to improve the quality and effectiveness of the *Intensivist and Hospitalist programs*. Dr. Ghebrai is now the permanent Medical Director of the Hospitalist Program.

Several *new Policies and Procedures* have been approved for the physicians in the Emergency Department. Being developed currently are sets of admission criteria for patient admission to the hospital from the ED. *ED Care*, our new ED physician provider, began services at our hospital on May 1st. While continuing the search for an ED Medical Director, they have appointed *Dr. Jean Williams, MD as the Interim ED Medical Director*.

FOR YOUR INFORMATION

You are most likely aware that CareFirst sent letters to all of their commercial members advising them that our hospital is no longer in the CareFirst provider network. However, they improperly sent this letter to all of the DC area Medicare recipients which basically stated if Medicare recipients had BC/BS supplemental "Part B" insurance they could not come to our hospital for services. **This, of course, is not accurate. Any Medicare recipient with any kind of supplemental insurance may come to United Medical Center for any health care service that we offer.** CareFirst has agreed to retract this letter, apologize for their error, and communicate to all Medicare patients who have BC/BS supplemental insurance that they can indeed come to United Medical Center for their health care needs. First class letters were to be sent to all CareFirst members during the week of June 9th. Similar letters will be sent to CareFirst physician providers, and letters of retraction will also soon be sent to each CareFirst physician provider explaining their first letter was in error.

OPERATIONS

*Food Service Management...*We have announced that Sodexo will take over management of our patient food service and cafeteria programs on Monday, July 27th. Food Service employees will remain employees of UMC. Very soon we will begin the planning to replace food service preparation equipment, improve the flow of the cafeteria service and decoration of the cafeteria.

*Coding & Documentation Audit...*was conducted by OHR and as a result we anticipate we can achieve a substantial increase in revenue through improved coding and physician documentation. Improved coding and documentation by physicians needs to occur to achieve the projected increase in revenues. We have appointed two additional well qualified coding specialists on an interim basis to improve the timeliness and quality of our coding. We also conducted educational programs for our medical staff. Mr. Garcia, the new HIM Director, has developed a program to continue to focusing on physician documentation on an on-going basis.

THE PURPOSE OF THESE MONTHLY REPORTS IS TO PROVIDE YOU APPROPRIATE INFORMATION AS TO THE ACTIVITIES, SUCCESSES AND PROBLEMS OF UMC. SHOULD YOU HAVE QUESTIONS OR SUGGESTIONS REGARDING THE CONTENT OF THIS MONTHLY REPORT, PLEASE LET ME KNOW. THANK YOU.

OPERATIONS CONT...

Intermediate Care Services... We will soon be able to designate the acuity of our patients as critical or intermediate in our Critical Care Unit. We will continue to have Telemetry beds, but will no longer have a Progressive Care Unit. We believe these changes will lower over-all CCU operating costs, maintain quality patient care / services, and enhance physician abilities to transfer admitted patients from ED to a hospital bed in a cost effective manner.

Managed Care Contracts... Subsequent to losing our TJC accreditation, several commercial MCOs have dropped GSCH from their provider networks, including BC/BS, Aetna, Kaiser. Though we didn't have a large amount of commercial business, what we had did pay well. This has negatively impacted our admissions. Once we are again accredited by The Joint Commission, we will be able to rejoin the provider networks of these MCOs. We have also begun renegotiations of the contracts with two Alliance and Medicaid MCOs, namely Health Right and Chartered Health Plan. The HealthRite contract has been signed and provides UMC with increased reimbursement. We anticipate revision of the Chartered Health Care Plan by the end of June. We did enter into a contract with Unison, the new Alliance and Medicaid insurance carrier, with relatively good rates.

OTHER NEWS

Much work has been focused on coordinating the *Curtain-wall project*. The work was begun on April 21st, and will be completed by early December. At times nearly 40% of the patient rooms in the hospital will be out of service, requiring us to constantly move patients and units to other temporary locations. This necessary project will add to our operating costs, and it will command huge amounts of leadership time, but is essential to making the building water tight. This project will also make us vulnerable to regular DOH inspections for infection control and patient safety standards compliance. Department of Corrections will be relocated for the remainder of the project beginning in July; Behavioral Health Services will be relocated and be dramatically affected as well lowering their capacity to as few as eight beds at times; and Dialysis Service will also be shut down for the remainder of the project beginning in July (we will lease mobile dialysis equipment to enable us to continue to provide dialysis services to our patients).

The *replacement of the roofs* on the tower, penthouse and Southeastern University were successfully completed. We are currently developing plans to replace the roof on all of the first floor, as we also have several places on this roof that leak.

Renovation planning continues for several projects, including the Children's National Medical Center pediatric emergency department, the main Emergency Department, Surgery Department, Behavioral Health Services, Skilled Nursing Center, and LTAC. These are each major projects and the planning is very time consuming. Facility modifications are being done in several radiology examination rooms to enable installations of the new imaging equipment that arrives between now and the first of August. Orders have been let, and installation plans are being prepared to install the following new equipment; boiler, emergency power generator, air chiller and two cooling towers.

Equipment Replacement... continues throughout the hospital. We will start working with Sodexo in the near future to begin planning replacement of the food preparation equipment and renovation of the cafeteria.

In summary, "things continue getting better". We need more in-patient and out-patient volumes; we need to continue to focus on opportunities to lower and control operating expenditures, and capture all of the revenue for services rendered.

Should you have questions regarding this report or about any other aspect of hospital operations please contact Gary Rowe, Interim CEO.