

SUNY DOWNSTATE MEDICAL CENTER APPROVED 2013-14 SUSTAINABILITY PLAN AND SUPPLEMENTS

JULY 15, 2013



APPROVED



LET'S RECAP :THE SUNY DOWNSTATE SUSTAINABILITY PLAN

Phase 1 Restructure

- A transition period for a restructured UHB to continue to operate under SUNY auspices, with benefits offered by the new Flex legislation, and continued State support.

Phase 2 Plan

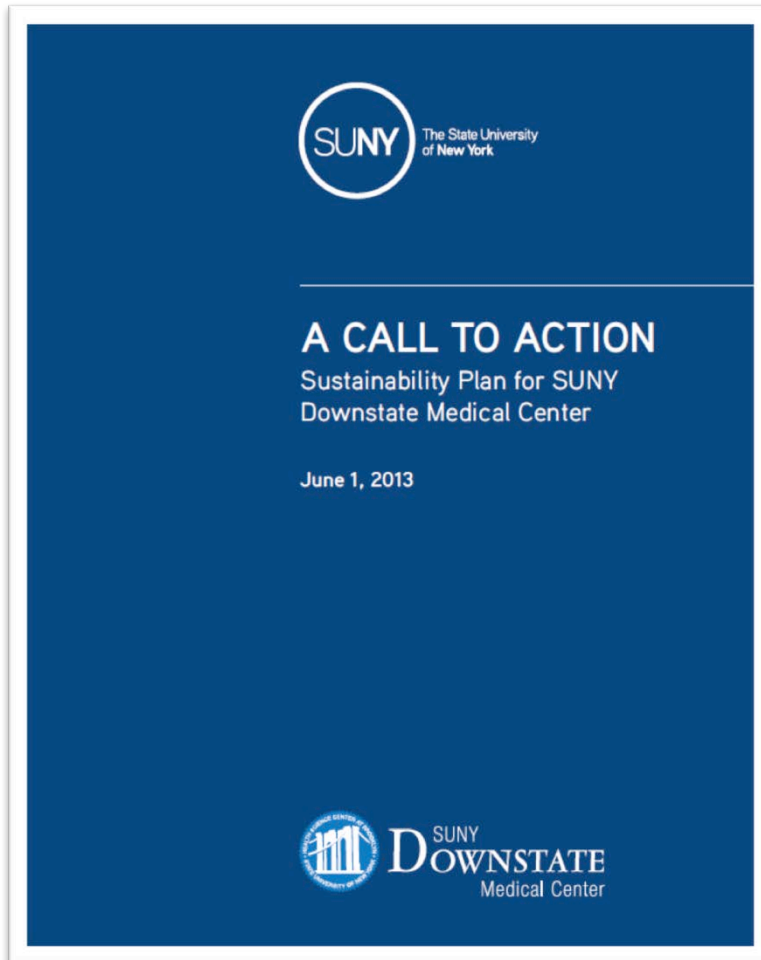
- Create a new public benefit organization, a Brooklyn Health Improvement PBC, to support health-improvement initiatives and promote the formation of a Brooklyn provider-based network.
- With support from the State, work with providers, the community, and other stakeholders to plan the model for a Brooklyn-based network to achieve a critical mass of providers to improve quality of care through clinical integration, for managed care contracting, and to support the teaching programs at SUNY Downstate.

Phase 3 Implement

- Implement a staged plan for the network for IT linkages and the data analytics to support clinical data reporting and benchmarking and clinical staff to drive change management.
- With the expansion of the academic network, Downstate can expand its clinical affiliated sites to other locations and UHB can become a smaller, more efficient hospital.
- With clinical integration established, launch managed care contracting to increase revenue to network members.

DISCUSSION POINTS WITH THE DIVISION OF BUDGET AND DEPARTMENT OF HEALTH: POST PLAN SUBMISSION

- Funding levels
- Clinical footprint of hospital
- LICH expense
- Workforce retraining program



SUNY SUPPLEMENTS TO THE SUSTAINABILITY PLAN

DOWNSTATE SUSTAINABILITY PLAN

	13-14	14-15	15-16	16-17
UHB Baseline Financial Condition (See Note 1)	(\$120,582)	(\$100,444)	(\$93,649)	(\$106,773)
Cost for Downstate to Exit LICH Operations	(\$34,581)	(\$54,329)	(\$20,449)	(\$20,449)
Total Gap/Sustainability Plan Target Savings	(\$155,163)	(\$154,773)	(\$114,098)	(\$127,222)
UHB Restructuring Action Plan (RAP)—Baseline Efficiencies (see Note 2)	\$49,782	\$67,144	\$78,649	\$81,773
UHB Restructuring Action Plan (RAP)—Service Line Prioritization Initiative (see Note 3)	\$0	\$15,000	\$20,000	\$30,000
State Restructuring Assistance	\$70,800	\$18,300	\$0	\$0
Leverage LICH Asset Value to Break-Even on LICH Operations Exit Plan (see Note 4)	\$34,581	\$54,329	\$20,449	\$20,449
Workforce Retraining Investment (see Note 5)	\$0	\$0	(\$5,000)	(\$5,000)
Total (Gap)/Surplus After Sustainability Plan	\$0	\$0	\$0	\$0

UHB RAP—Baseline Efficiencies	\$ 49,782	\$ 67,144	\$ 78,649	\$ 81,773
Revenue Cycle Improvement	\$ 28,980	\$ 18,229	\$ 20,567	\$ 24,341
Volume Expansion	\$ 1,296	\$ 2,221	\$ 2,221	\$ 2,221
Labor Cost Reductions/Productivity Improvements	\$ 27,483	\$ 48,694	\$ 48,694	\$ 48,694
Supply Chain Improvements	\$ 1,996	\$ 6,354	\$ 6,854	\$ 6,854
Other Expense Reductions	\$ 3,275	\$ 4,898	\$ 4,898	\$ 4,898
Restructuring Expense & Other Adjustments	\$ (13,247)	\$ (13,253)	\$ (4,586)	\$ (5,236)

NOTE 1: The Baseline Financial Condition assumes continued annual support of \$44 million in fiscal years 2013-14 through 2016-17. The \$44 million consists of \$30 million of State-initiated support and \$14 million allocated by the SUNY Board of Trustees from the State University's overall operating budget.

NOTE 2: Baseline Efficiencies—Section 3 of Part Q of Chapter 56 of the Laws of 2013 requires that the Sustainability Plan shall include the elimination and/or reduction of acute, ambulatory and support services that are not necessary or financially sustainable and any additional measures necessary to achieve such restructuring and achieve financial stability. The Baseline Efficiencies proposed herein constitute additional measures necessary to achieve such restructuring and achieve financial stability, and will involve workforce reductions.

NOTE 3: Service Line Prioritization Initiative—Section 3 of Part Q of Chapter 56 of the Laws of 2013 requires that the Sustainability Plan shall include the elimination and/or reduction of acute, ambulatory and support services that are not necessary or financially sustainable and any additional measures necessary to achieve such restructuring and achieve financial stability. In furtherance of this requirement, the Sustainability Plan includes the Service Line Prioritization initiative, which will involve a detailed analysis of all service lines at UHB to determine profitability, mission coherence, market growth opportunities, competitor analysis, quality, and internal capability. Service lines to be evaluated will include, but not be limited to cardiac, nephrology/urology/kidney, orthopedics/rehabilitation, neurosciences, head & neck, OB/GYN, pediatrics, general surgery, oncology, and psychiatry. Achieving the financial improvement targets associated with the Service Line Prioritization initiative will involve a reduction in UHB's inpatient bed complement and workforce reductions across service lines.

- Increased operational savings each year –full annual effect of \$27m;
- LICH exit expenses covered by cash flow assistance in 2013-14 and by monetization of the LICH asset thereafter;
- Significant downsizing of bed capacity at UHB-resulting in additional savings of \$15m in 2014-15; \$20m in 2015-16 and \$30m 2016-17;
- Create Worker Retraining Center and funded from Downstate savings and other sources

COMMITMENTS

- State restructuring funding of:
 - \$71m in 2013-14
 - \$18m in 2014-15

- Pursue legislation for Brooklyn health care corporation to assist network development, bolster State application for Medicaid waiver funds, and continued flexibility for Downstate
 - Bill was not passed in the 2013 Budget cycle.

