SANTA FE COUNTY

SPECIAL JOINT MEETING

BOARD OF COUNTY COMMISSIONERS
&
ST. VINCENT REGIONAL MEDICAL CENTER

BOARD OF DIRECTORS

June 9 & 10, 2006

This special joint meeting of the Santa Fe Board of County Commissioners and the board of directors of St. Vincent Regional Medical Center was convened at approximately 4:50 p.m. at Sunrise Springs, Santa Fe, New Mexico.

Members Present:
Commissioner Harry Montoya, Chairman
Commissioner Virginia Vigil, Vice Chairman
Commissioner Mike Anaya
Commissioner Jack Sullivan

Members Absent:
Commissioner Paul Campos

County Staff:
Gerald González, County Manager
Steve Ross, County Attorney
Jack Hiatt, Deputy County Manager
Paul Griffin, Finance Department
Teresa Martinez, Hospital Claims
Becky Beardsley, DWI Program Director

SVH Community Board of Directors:
Dave Gunderson, MD
Kathy Armijo-Etre
Frank DiLuzio
Gene Valdes

St. Vincent's Staff
Alex Valdez, CEO
Rick Doxtater, CFO
Erica Campos, Senior Planner
Bonnie White, Finance Dpt.

SVH Community Board of Directors:
Jack Zwemer, MD
Cliff Vernick, MD
Al Robeson
Rosemary Romero
Karen Wells, RN
Bill Zeckendorf
Patrick Quinn, MD

Exhibit 1: SVHRMC Notebook:
Application Template for HIFA Demonstration Proposal
St. Vincent HRMC Transparency and Community Involvement chart
St. Vincent HRMC – State of Healthcare 2006 report
List of St. Vincent Regional Medical Center Community Board of Directors
St. Vincent HRMC Community Benefit Report
Memo – from Powell/Goldstein to Alex Valdez re: intergovernmental transfer
SVHRMC Strategic Plan 2005-2010
Santa Fe County Health/Indigent Funds Position – chart

Welcome by St. Vincent Hospital and Santa Fe County Commission Chair

Alex Valdez, CEO of St. Vincent Regional Medical Center, welcomed the participants to the meeting, and St. Vincent board chairman, Dave Gunderson spoke of his wish for St. Vincent to improve the lives of northern New Mexicans through better healthcare. He said it is not merely a community hospital and it strives for excellence while remaining financially viable. He stated it is St. Vincent's commitment to accept everyone regardless of their ability to pay. Dr. Gunderson spoke of current trends: the decreasing reimbursement rates of Medicare and Medicaid, and increased uninsured and indigent populations. The result is an explosion of bad debt. Figuring out solutions is St. Vincent's challenge and mission.

Dr. Gunderson said there have been significant changes in Santa Fe and opportunities have been lost in the past. However, with Alex Valdez, Rick Doxtater and the excellent senior management team the situation has turned around and is the best it has been in many years. There is a different feel to the programs, and relations with the doctors are improving. A critical issue is to create new revenue sources and be creative in the future.

Commissioner Montoya officially called the meeting to order and a quorum was established.

Commissioner Anaya asked that there be some discussion about County-recommended appointees to St. Vincent's board. Mr. Valdez said the last submission of names had been acted upon favorably. That discussion was scheduled to follow 7.a. iv.

Upon motion by Commissioner Sullivan and second by Commissioner Vigil the agenda was unanimously approved.

Commissioner Montoya noted this was a follow-up meeting to the one held in March and he hoped to finish the ambitious agenda and reach common ground.

The participants introduced themselves.

St. Vincent Hospital Status Update

a) **Impact of Physicians Medical Center on St. Vincent**
b) **St. Vincent Hospital Strategic Plan**
c) **Possible Location of St. Vincent Facility at Las Soleras**
d) **St. Vincent Hospital Financial Status Update**

Mr. Valdez referred to the packet for information on the state of the Sole Community Provider funding and a memo from Larry Gage and Charlie Luband. He said this would lay the groundwork vis-à-vis the financing challenges they face.

Mr. Valdez began a discussion of the current state of healthcare by saying technology will be a major driving force in the future, especially as it relates to competition, which will become an issue with the arrival of Physicians Medical Center, anticipated for May 2007.He said this could have a profound impact on the hospital's finances, as they will still be the source of healthcare for the elderly and acute care patients. Additionally, workforce issues will continue to be a challenge, both regarding quantity and quality.

Once consumers are able to select doctors and hospitals, it behooves St. Vincent's to invest in informing the clientele. With the Internet, consumers will be doing wise shopping for services. St. Vincent's should be the first choice in differentiating between hospitals. Not only patients, but caregivers expect more. More nurses are needed and "when demand is higher than supply, the resource becomes more expensive and harder to keep."

A loss of beds is occurring nationwide, along with a reduction in the length of stay. The key is "delivering more with greater efficiency". Mr. Valdez said it will be interesting to see how Physicians Medical Center operates with 23 beds. They will be able to have light weekend schedule, something St. Vincent is unable to offer physicians.

Automation will figure prominently in healthcare delivery. Mr. Valdez advocated electronic data and records whereby a patient's medical history would be readily available. Facilities will also require updating. He mentioned the $12 million expansion St. Vincent is undergoing, saying they will be breaking ground this summer. Updating includes work on the operating rooms, the emergency room, specialty units, increasing the number of private rooms, increasing bed capacity – investing in order to be state-of-the-art. Expansion requires taking on debt. Mr. Valdez mentioned the possibility of a future with robotic surgery.

Mr. Valdez asked, Who will pick up the tab? The state? Taxpayers? Locals? He pointed out that New Mexico has an uninsured rate of 22 percent, who are among the 48 million uninsured in the country. There is a possibility of a state coverage initiative and the intent is to have a positive impact on employees, employers and the entire community. There is a trend towards employers putting more costs onto the employees, along with incentivizing healthy lifestyles.

Speaking of the regulatory environment, Mr. Valdez noted that it adds costs.

New Mexico demographics are shown in the packet, listing population, population change, median income and median age. Mr. Valdez explained that the tourism industry which figures prominently in Santa Fe generally offers lower paying jobs with no insurance coverage.

Commissioner Montoya asked about the trend toward automation and the possibility of getting records compatibility between the County and the hospital. Mr. Valdez said he thought that was possible and that electronic health records would be empowering and could connect to the County's needs. Commissioner Montoya stated Mr. McClelland had talked about using Santa Fe as a pilot program in a universal healthcare initiative, and that St. Vincent's would need to be involved. Mr. Valdez said the state coverage initiative could be the vehicle to accomplish that.

Turning to the strategic plan, Mr. Valdez said the mission statement used to refer to independence and it now talks of collaboration. There are six principle goals. The first is to create a culture of service. This includes achieving a 95 percent satisfaction level. Other goals are: Earning the support of patients and the community, ensuring clinical excellence, running the organization well, developing committed, empowered employees, and developing positive physician relationships.

Rick Doxtater went over the financial picture, stating the board sees itself as stewards of this non-profit community asset, and there is a need to get competitive. The hospital has been in survival mode and a competitive spirit is needed in order to achieve the strategic plan. He used graphs to demonstrate the operating margin. Four percent is needed to survive and reach a Moody's A rating. Moody's is interested in the effect Physicians Medical Center will have on the overall picture. St. Vincent's has a five-year capital plan and a great deal of new equipment is needed. If nothing is done, the trajectory will lead to a $126 million shortfall. They can borrow $33 million more and the Sole Community Provider funding is critical to achieving the four percent margin. With the strategic plan there are still many opportunities for improvement along with the risks.

The key is fully funding the Sole Community Provider funding, said Mr. Doxtater. The Physicians Medical Center represents a significant risk given that St. Vincent's has

fixed costs.

Mr. Valdez reiterated that Physicians Medical Center's business plan gives May 2007 as the opening date, so the impacts should be felt by next year. He hoped those impacts would be shallow and short term. He thanked St. Vincent's board of directors for approving the budget.

Commissioner Vigil asked about Physicians Medical Center's scope of services. Mr. Valdez said they are seeking a general acute care license, but will probably be concentrating on ambulatory and short-stay surgery. Dr. Vernick speculated that if they have an emergency room, it could be a way station for indigents. Mr. Valdez said the Senate Judiciary Committee has put a cap on how much indigent care such facilities are required to provide and that is five percent. He added that there are many questions remaining about Physicians Medical Center and theses will have to be discussed with the board. For instance, collaborations might be possible in such areas as lab services.

Mr. Hiatt asked about the magnitude of the financial impact of Physicians Medical Center, and Mr. Valdez said he would rather not discuss that in open session, although they have made projections. Dr. Gunderson said because it will probably be elective, for-profit surgery it will have very little impact on the uninsured sector.

Regarding the Las Soleras location, Mr. Valdez stated health needs will eventually outgrow the principal location and the south side of Santa Fe is the logical place to a branch. Las Soleras has made a generous offer.

Santa Fe County Status Update

a. Santa Fe County/St. Vincent Hospital Partnership Issues

b. Santa Fe County Financial Status Update

Paul Griffin, budget administrator for Santa Fe County gave an overview of the County's financial picture. He said there are two County funds that feed into the Sole Community Provider funds, the EMS/Healthcare Fund and the Indigent Fund. The EMS/Healthcare Fund also funds the Fire Department and pays $2.5 million directly into Medicaid. Before 2001, the GRT was mixed into the general fund and there was an excess of cash. The $5.75 million in cash was criticized by DFA, which led to the creation of the EMS/Healthcare Fund. The 1/8 cent GRT for EMS and 1/8 cent GRT for the Indigent Fund moved $9 million into the general fund. The cash position was whittled away over the years at the state's recommendation. The Sole Community Provider funding used be greater than the funds returned via the MOA. The amount of funding required by the jail has increased and now the County will be taking on operation of the sobering center. In short, stated Mr. Griffin, "I've run out of cash."

Due to increases in the supplemental funding, last year the County was unable to

fund the match amount at the maximum possible level, and was only able to provide $425,000.

Karen Wells asked for clarification of the "less Medicaid payment" and Mr. Griffin explained half of that goes to indigent Medicaid and has increased approximately 10 percent. The red line, Sole Community Provider funds, represents the before-match amount. Ms. Wells asked if the EMS/Healthcare fund supported trauma, and Mr. Griffin said it did, adding the fund was established to do away with commingling and to clarify the picture. He said the MOA was distinct from the jail medical funds. Ms. Wells posited that the federal match allows funding for indigents. Mr. Griffin said it does, but not in hard cash.

Mr. Valdez said the County puts up x-amount in Sole Community Provider funds and gets y-amount in the MOA, which pays for programs such as the CARE Connection.

Mr. Griffin indicated that in 2007 there will not be sufficient money from the GRT to cover the Sole Community Provider match. Money from indigent funding was moved to the sobering center, which is allowable.

Commissioner Sullivan said when the Indigent Fund was set up, the purpose was to get the money from the GRT. He said the county has a big need for the sobering center and the County has to take the lead in fronting those costs. The Commission made the decision to provide a service not otherwise provided. Federal money will be coming in via substance abuse treatment vouchers that have been underutilized heretofore. Until that money starts coming in there will be a big cash drain.

Mr. Valdez pointed that that St. Vincent's has pumped approximately $1.5 million into the sobering center.

Dr. Vernick asked how the Indigent Fund is used for detox. Ms. Beardsley explained that the providers have applications whereby the indigent qualify for reimbursement. Qualification is based on residency and HUD-imposed income and asset levels. There are 22 providers and all of the money is used.

Mr. Doxtater said the $500,000 that St. Vincent's put into the CARE Connection should be added to the graph.

Mr. Griffin said the "brick wall" won't be hit until 2008.

Ms. Wells stated substance abuse treatment and mental health tend to be underfunded, so this is a good thing. It is important to keep the big picture in mind and assume access to care will continue to be an issue.

Mr. Robeson note that it appeared $6.4 million in gross receipts tax was coming into the County while $6.8 million went out in Sole Community Provider funds, and the discrepancy between the Sole Community Provider funds and the MOA was around $200,000. He mentioned the possibility of leveraging funds, which would benefit the community. He noted that while the County appears to be short $200,000, the community could gain $21 million.

Mr. Griffin reminded the participants that of the $2.5 million going to the jail fund, half a million comes from the MOA.

[The meeting recessed for dinner.]

Kathy Armijo Etre inquired about County funds going to non-resident indigents. Ms. Beardsley explained that social security numbers are required to get indigent funding. In addition, there are pro bono programs and sliding scales. All of the funding is used and additional requests are outstanding. The criteria could be opened up, which would shift the population. She said the Sole Community Provider funds were set up to supplement Medicaid and four hospitals are served.

Ms. Armijo Etre pointed out that St. Vincent provides care to the indigent population beyond what is reimbursed by the Indigent fund, particularly to the undocumented and through the emergency room.

Mr. González pointed out that the County has other responsibilities besides providing healthcare.

Dr. Vernick brought up the issue of working out funding regarding other counties. Mr. Valdez noted that money is being sent to Española Hospital to take care of Santa Fe County residents, while St. Vincent provides care for the poor from Rio Arriba County.

Summarizing the import of the graph presented by Mr. Griffin, Mr. Robeson said it shows that the amount of Sole Community Provider funding is close to that of the MOA, that there has been a shift so that now the Sole Community Provider funds are higher, and that the Sole Community Provider amount has grown rapidly.

Dr. Gunderson asked about ambulance fees and Mr. Griffin explained that the blue line denoting GRT minus Medicaid should actually be even lower, since $500,000 in ambulance fees should also be subtracted.

Regarding partnership issues, Mr. González said the hospital participates with the County not only through the MOA, but also with the sobering center/CARE Connection, and the healthcare van. Additionally, there are opportunities for cooperation with the Las Soleras property and healthcare in the jail. He said the latter is an important issue for the

community as a whole because now, prisoners cycling in and out of the jail represent a potential disease vector. There is also the potential for County support for St. Vincent's bonding. Mr. Valdez asked about the possibility of increasing taxes for hospital bond support and Mr. González agreed that was a possibility, with the City also potentially involved. There are two forms of EMS/Healthcare taxes, one from the unincorporated areas only and another could involve the entire county.

Mr. Valdez said that once the financial outlooks of both bodies become clear, revenue enhancements have to be considered.

Commissioner Montoya noted that the state looks to the County's capacity first before coming up with funding.

Immediate Challenges

- **a. Sole Community Provider Funding**
  - **i. Potential SCP Self-Funding by St. Vincent's Hospital**
  - **ii. Self-Funding and Pass-Through for the Remainder of FY06 and Supplemental SCP**
  - **iii. The Future of SCP Funding for SVH**
  - **iv. Jail Billing and Healthcare Issues**
  - **v. Board Members**

Mr. Valdez said seeking state funding is driven by a desire for a variety of revenue sources. St. Vincent's is unique in being able to directly access state funds. For instance, they received $2.2 million for the emergency room. The possibility for self-funding arose out of the County's inability to come up with the full match amount for the supplemental this year. He noted $13.5 million would be left on the table with the failure to fully fund. Human Services put of the amount lacking as a loan and St. Vincent's sought a legal position on self-funding. Human Services took the position that the money has to go through the County. St. Vincent believes it can make the numbers work with Santa Fe County doing its best and St. Vincent's self-funding the rest. He spoke of crafting an insurance program.

Commissioner Montoya mentioned that the County had concerns whether St. Vincent could legitimately be considered a public entity. Is getting an appropriation from the state sufficient?

County Attorney Steve Ross indicated he had looked into the matter and found there were two players involved, the CMS which is in charge of Medicare and Medicaid, and the state Medicaid program. A letter was received from CMS Administrator McClelland referencing the Iowa State Plan amendment regarding the state teaching hospital. He had not addressed the situation and it was not clear if he would. Mr. Ross talked to Human Services in regard to the Powell-Goldstein memo which they say is correct and which they

enthusiastically support. He said this alleviates much of the legal concerns in that the consequences of being wrong and making an inappropriate intergovernmental transfer are not so great. He recalled at a previous BCC meeting there was talk of an indemnity agreement regarding the County acting as a pass-through entity.

Mr. Valdez expressed his willingness to do that and noted if the practice becomes habitual they can find a way to "paper over" the problems. He said Human Services can request an official blessing from CMS but this would of course take time. He said Human Services' legal counsel approved the self-funding on the supplemental and the next problem that could arise is inability to fully fund the base. He recommends writing a check. Commissioner Montoya said he supports that.

Commissioner Sullivan said he wanted to see the McClelland letter. In his understanding there is a substantial difference in the concept of a "public entity" vis-à-vis direct taxing authority, etc. San Juan does this successfully and further discussion of the MOA is in order. A mechanism needs to be in place regarding the separation of the MOA funds from Sole Community Provider funds.

Dr. Vernick said the bottom line is maximizing the healthcare dollars. Commissioner Sullivan agreed, adding it is the Commissioners' responsibility to keep the County solvent. He added they also want a say in where those healthcare dollars go.

Commissioner Vigil noted she was legal policy advisor to the County when the 3-1 match was first broached and it appeared to be a wonderful opportunity to capture federal dollars. She urged keeping the big picture in mind and said the context has changed, with the HPPC arising as a focus for the community providers constantly requesting funds. She said she saw no problem with the self-funding option, and agreed with the need for further discussion on how that will affect the partnership. The San Juan County partnership works because there is a bond. The bond between Santa Fe County and St. Vincent's came about through the Sole Community Provider funding.

Mr. Valdez noted it was important for the County to write the check as soon as possible. He has been working since fall to get CMS to send a ruling to Human Services. If the County doesn't want to write the pass-through check he is obligated to ask for the full match shortfall, as it will mean $13.5 million in funding to the base amount over the next five years.

Dr. Gunderson said since the risk is minimal, writing the check seems like a reasonable thing to do.

Mr. Ross said he was nervous at first but following talks with the various parties, it appears CMS is a difficult agency to get straight answers out of. With the involvement of Human Services and the indemnity waiver he feels comfortable doing it. He will keep

trying to get a definitive letter from CMS.

Gene Valdes speculated that could take over a year and in the meantime, the risk is minimal against potential major damage over five years.

Mr. Valdez stated he did not know in the future if St. Vincent or the County would do all the funding, or if it would be some combination.

Regarding the composition of the board of directors, Commissioner Sullivan asked for a copy of the bylaws and the names of the directors and which are recommended by the County. He suggested talking about transparency. Mr. Valdez said he would do that.

The meeting recessed at 8:00 p.m.

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The meeting was reconvened at 8:40 a.m. The following individuals were in attendance:

Commissioners Present:
Harry Montoya, Chairman
Virginia Vigil, Vice Chairman
Jack Sullivan

Commissioners Excused:
Paul Campos
Mike Anaya

County Staff:
Gerald González, County Manager
Steve Ross, County Attorney
Jack Hiatt, Deputy County Manager
Teresa Martinez, Hospital Claims
Becky Beardsley, DWI Program Director

St. Vincent's Board:
Dave Gunderson, MD, Chairmain
Patrick Quinn, MD
Frank DiLuzio
Gene Valdes
Karen Well, RN
Cliff Vernick, MD
Al Robeson
Rosemary Romero
Karen Wells, RN
Patrick Quinn, MD

St. Vincent's Staff
Alex Valdez, CEO
Erica Campos, Senior Planner

The participants reintroduced themselves and County Manager González opened the meeting stating the County is looking for long-term healthcare for the adult prisoners. Mr. Valdez remarked that SVH provides services to the juveniles in the corrections system and adult care could be another community service provided by SVH.

A discussion ensued regarding healthcare at the correction facilities and Ms. Martinez said since the changeover there has been significant balance that she estimated at $900,000. She said it was not in the budget data. Mr. Valdez offered to consider how the care could fall under community benefits.

Chair Montoya asked whether Medicare/Medicaid was being maximized for inmates and he encouraged staff to investigate limitation and suggested approaching the legislators for inmates' medical coverage.

Ms. Beardsley said she had reviewed that in her former capacity as Indigent Claims Director and the majority of the inmates are not eligible. She said it was a complex issue and is different for youth under 18 years of age.

In regard to detox patients brought to SVH by the County Sheriff, Ms. Beardsley said they are not considered in custody and while in the hospital; they are considered "furloughed." She said the opening of the detox facility will solve that issue.

Mr. Valdez and Mr. González said they would work together to discuss how to provide better medical services to the youth and adults in the corrections system.

Commissioner Sullivan expressed his concerns regarding SVH Board of Directors, stating he understood the meetings were closed and the composition lacks community representation. Further, since Auturo Gonzales' departure, there has been little to no communication between the County and Board members. He emphasized that accepting the BCC's appointment recommendations would benefit the relationship between the County and SVH. He suggested developing a new structure that would present a public entity, reduce the barriers on the MOA, and come a long way to transparency.

Board member, Dr. Vernick, noted that Steve Shepherd is present at most Board meeting and he hoped a County employee would communicate with the BCC.

Mr. Valdez said the BCC forwarded six nominees and SVH selected two from that list: Frank DiLuzio and Ernestine Lawrence. Each time the BCC has forwarded candidates SVH has responded and made an appointment. He mentioned that Gene Valdez was a City appointment.

Dr. Gunderson reiterated Mr. Valdez' remarks and stated that the SVH Board thought they were doing the right thing when they appointed Mr. DiLuzio and Ms. Lawrence, both BCC nominees.

Commissioner Vigil lauded the Board of Directors for having countywide diversity and she hoped to keep communications open. She said it was important to expand opportunities to communicate.

Dr. Gunderson suggested that the County Manager or Larry Martinez attend the SVH Board of Directors meetings.

Mr. Valdez pointed out that the Board of Directors operates as trustees to SVH.

Commissioner Sullivan said he didn't understand why there would be any reluctance on the part of the Board of Directors to talk to the County and he advocated a more seamless communication. He asked how the County and SVH could be at an impasse when the County contributes over $6 million a year to SVH.

Mr. Valdes said the County and SVH are partners in working for the county residents and he was confident more effective communication could be accomplished.

Dr. Gunderson agreed and said there was absolutely no collusion or intent on the part of the Board of Directors to thwart communication. He advocated appointing a liaison for the entities.

Mr. Valdez said SVH wants to accommodate the County's requests and he certainly viewed their relationship as positive.

Dr. Vernick pointed out there were items that come before the Board that they discuss and vote on and that process is done as representatives of the County. He encouraged the two boards to develop personal relationships and communicate regularly. He opposed developing another layer of bureaucracy to oversee what the other does.

Ms. Wells said the Board of Directors serves as a governance committee and she took offense at the notion that it lacked community representation. Ms. Wells said she is long-term community member and her concern is how best to care for the community's sick whether rich or poor.

Mr. González said the Commission is responsible for bringing $20 million to SVH for the community. The vitality of St. Vincent, in general, is very important to the County and with two different boards in control, Mr. González suggested developing more collaboration which is good for the community.

He appreciated Mr. Valdez' discussion about SVH desire to become a self-funding facility and pointed out that would require a greater breadth and closer relationship and communications.

Mr. Robeson said the care providing industry has greatly changed and SVH needs

to be current and have a new avenue for competition. Currently, we are "at risk" for survival. He said it was imperative to retain support from the community at large: "We must be strong".

Ms. Wells added to that saying the hospital needs a strong relationship with the County.

A committee composed of Commissioners Vigil and Montoya, and SVH Directors Gene Valdes and Dave Gunderson was appointed to communicate and develop strategies for an improved relationship.

Challenges and Possible Solutions

Response to BCC visit to San Juan Regional

Mr. Valdez said after reviewing San Juan's bylaws and practices he was proposing that SVH develop an Ambassador program made up of representatives from major employers, non-profits and governmental entities. The group will hold special focus groups and he suggested tackling the working poor without insurance up front. San Juan Regional Medical Center is a locally owned and governed, not-for-profit hospital. Their board of directors is selected from a hospital corporation, whose membership is made up of representatives from over 86 non-profit community organizations. Electing directors is the responsibility of the Corporation, whose 80-plus members represent a true cross-section of county residents. They reflect the perspectives of churches, civic organizations, service clubs, fraternal organizations, veterans' organizations, veteran auxiliaries, San Juan County Commission, municipalities, San Juan College and local school districts.

Ms. Campos noted that the SJRMC's corporation is more than a healthcare board, being rather an entity operated by the community.

Mr. Ross suggested that the County look at SJR taxing mechanism and he recommended that SVH look into a similar funding mechanism. It requires a vote from the community and untapped source of funding.

MOA Update

The participants agreed that EMS services need to be figured out. More discussion and self-funding would be beneficial.

Commissioner Sullivan said SVH needs to decide whether they will self-fund all or a portion. He remarked that self-funding would change the current MOA.

Dr. Gunderson said a full discussion is important before self-funding is initiated.

Commissioner Vigil said the mobile care unit and the jail facility are not choices but items that must be addressed. These are the community's needs.

Mr. González remarked that Santa Fe County extends relief to SVH to take care of the County's indigent medical needs. If SVH were independent/self-funded the County may have greater control of care issues with SVH. Mr. Valdez agreed and said smaller groups could work these issues out.

Ms. Wells said the MOA would not be necessary if SVH is self-funded.

Dr. Vernick suggested a strong relationship between the County and SVH may be better than an MOA.

Mr. González advocated simplifying the MOA process and rethinking it.

[Commissioner Sullivan excused himself from the remainder of the meeting]

State Coverage Initiative

Mr. Valdez discussed the initiative that then-Governor Gary Johnson promoted which provided an insurance vehicle for individuals under a certain income range and gainfully employed. He was eager to support the introduction of a bill that provides an appropriate vehicle. The next generation of uninsured needs to be addressed.

Mr. González concurred that the funding revenue is the challenge.

Ms. Wells said it appears the federal government wants to fix the uninsured problem with the employer and employee paying a portion.

Mr. Valdez said this is win/win situation and noted an urgency to support a bill that would address this issue. Ms. Beardsley said the County is actively involved in this process.

Mr. Valdez said he was on the agenda to accept self-funding of remainder of the supplemental money. He said the County's support was crucial.

Mr. Ross said the as a self-funding entity the MOA was moot.

Mr. Valdez said SVH needs a positive vote from the County on this venture.

Closing Remarks

Mr. Valdez praised the leadership and quality the Hospital's Board brings to the table. He sees more work towards state initiatives and self-funding and reiterated his thanks for the hospital board and the County Commission.

Dr. Gunderson repeated the importance of the Commissioners meeting face-to-face with the Board to develop a sense of trust and communication.

Mr. González said the challenge is finding revenues. Ms. Wells said the federal government has voiced a desire to address the uninsured problem and she said it will need to be an employer/employee pay solution.

Mr. Valdez said the state sees the urgency in this issue and he encouraged County staff to participate in state meetings on these issues. Chair Montoya said the County was involved with the state on these issues.

Mr. González thanked the participants for a productive meeting and recommended periodic joint meetings to further the relationship.

ADJOURNMENT

Chairman Montoya declared this meeting adjourned at approximately 10:40 a.m.

Approved by:

Board of County Commissioners
Harry Montoya, Chairman

Respectfully submitted:

Karen Farrell, Wordswork
227 E. Palace Avenue
Santa Fe, NM 87501

ATTEST TO:

VALERIE ESPINOZA
SANTA FE COUNTY CLERK

STATUS QUO

[redacted]

$1 County Indigent Fund

[redacted]

▼

[redacted]

$3 Federal Sole Community Provider Match

[redacted]

▼

[redacted]

$4 for Hospital Patients

[redacted]

$3 Federal for Community

NEW VISION

[redacted]

$1 Hospital Funds

[redacted]

▼

[redacted]

$3 Federal Sole Community Provider Match

[redacted]

▼

[redacted]

$4 for Hospital Patients

[redacted]

[redacted]

$1 County Indigent Fund

[redacted]

▼

[redacted]

$3 Federal Match For State Coverage Initiative

[redacted]

▼

[redacted]

$4 for County Resident Insurance

[redacted]

$6 Federal for Community + More Insured Residents = Happy Constituents

Application Template for Health Insurance Flexibility and Accountability (HIFA) §1115 Demonstration Proposal

The State of New Mexico Department of Human Services proposes a section 1115 demonstration entitled New Mexico State Coverage Initiative (New Mexico SCI), which will increase the number of individuals with health insurance coverage.

I. General Description of Program

New Mexico SCI, which is scheduled to begin February 2003, will provide health insurance coverage to up to an additional 40,000 residents of the State of New Mexico with incomes at or below 200 percent of the Federal poverty level. The increased coverage will be funded by employer, employee, and individual premium sharing, state, local, and federal funds.

New Mexico proposes two funding mechanisms for its waiver. At the conclusion of the demonstration period, New Mexico will be using unspent SCHIP funds to cover approximately 11,000 single or childless uninsured adults and will be covering approximately 29,000 parents through regular Medicaid matching funds. In the first year of the waiver, the state will fund 7,500 single or childless uninsured adults and 7,500 parents from SCHIP funds. The proposal is SCHIP allotment neutral and budget neutral.

In addition to this waiver proposal, New Mexico may subsequently propose to reallocate resources for the existing Medicaid program in New Mexico to shift from Medicaid benefits to the SCI benefit package for certain Medicaid enrollees. Any subsequent submission of amendments to this waiver will be based on recommendations from an interim Medicaid Reform Committee established by SB 379 of the 2002 Legislature and signed by the Governor. New Mexico is also continuing to develop alternative strategies for part-time, intermittent, temporary, and seasonal workers, the unemployed, retirees under age 65, and selfemployed individuals.

Benefits

The benefits under NM SCI are structured to be similar to basic commercial benefit packages in New Mexico and the project is structured to meet the needs of the target population. A standardized benefit package will be established by the state and managed care organizations will be allowed to respond to an RFP to provide that benefit package. The benefit package was structured based on results of focus group meetings, experience with a managed care program for the uninsured at the University of New Mexico Health Sciences Center, and extensive discussions of a Design Work Group.

Benefit Cost

New Mexico contracted with the Lewin Group to do preliminary actuarial analysis. Various design changes were made after that preliminary work and subsequent actuarial work was done by the actuary staff of three managed care organizations in New Mexico. This subsequent actuarial work resulted in a target average per member per month total cost of $210, based on the demographics of the target population which were determined through a household survey by the New Mexico Health Policy Commission.

Target Markets and Enrollment

The waiver is targeted to adults up to 200 percent FPL, particularly employed adults. The plan will be marketed to employers and employees directly by the MCOs which may also utilize enrollment brokers. These MCOs already have established relationships with employers through their commercial product lines. MCOs will be required to inform eligible individuals of the availability of the SCI program.

Various outreach and media strategies are being designed for employers, employees, as well as non-employed individuals to ensure that all eligible New Mexicans will be aware of the availability of the product.

Marketing will be especially targeted to employers not currently offering insurance as well as to employers who offer insurance but whose employees cannot afford the required premium sharing. In addition, the program will be targeted to parents of Medicaid and SCHIP children through innovative data matches with Medicaid and SCHIP databases as well as income tax databases.

Non-employed individuals will also be eligible for the program, but will be required to pay the equivalent of the "employer" and "employee" premium sharing. No medical underwriting is proposed for the program.

Standardized Benefits and Plans

Benefits, premium sharing, and copayments will be the same, regardless of the MCO that the individual selects; competition will be based on service and delivery systems. While a defined contribution concept was considered, the standardized benefit package approach was selected for several reasons and was based on feedback from various focus groups as well as experiences of other states with traditional ESI approaches and will result in:

- ? *Administrative simplicity for employers*
- ? *Administrative simplicity for the state*
- ? *Assurance of a benchmark benefit package to meet needs of the target population*
- ? *Potential for a significant new market for coverage*
- ? *Increased ability to track take-up and effect on commercial market*
- ? *MCOs may choose to develop a non-subsidized SCI product that they can market to employers--this would help expand the overall coverage in the market.*

Allotment Neutrality and Budget Neutrality

The enrollment for single/childless adults will be capped based on availability of SCHIP funds and will be allotment neutral. Any remaining unused SCHIP allotment will be used to fund the expansion of parents until the SCHIP funding is exhausted at which time parents will be covered under Title XIX. The SCHIP calculations submitted with this waiver are based on the scheduled loss of 1998, 1999, and 2000 SCHIP funds and the anticipated loss of a portion of the 2001 SCHIP funds. If there is congressional action to extend availability of these funds for New Mexico or to redistribute unused funds, the state would utilize all additional available SCHIP funds for the SCI coverage expansion for parents between 37% and 200% of FPL.

To the extent SCHIP allotment is not available, the parent population under 200 percent of the federal poverty level will be covered under Title XIX. Since this population could be covered under a state plan with a more extensive benefit package and without the employer and participant premium contributions, a budget neutrality demonstration is not required during the waiver period. Nevertheless, New Mexico has provided selected historical data required in the template. (See attached worksheet.)

Schedule

The waiver is scheduled for implementation in February 2003. If the Medicaid Reform Committee recommends changes in the existing Medicaid program that could result in expansion of this waiver to additional populations, an amendment to this waiver proposal will be submitted at that time.

The SCI Process

New Mexico convened a broad-based coalition of providers, advocates, business groups, local governments, and state agencies approximately three years ago to work on the issue of the uninsured adult population, increase awareness of the problem with the business community, and to build consensus on solutions. That coalition expanded and developed over the next two years and resulted in application to the Robert Wood Johnson Foundation for a State Coverage Initiatives planning grant which was awarded in April 2001. Through the planning grant, the strategy reflected in this Phase I application was developed.

The process of developing the strategy was broad-based and inclusive. A Steering Committee was formed comprised of providers, advocates, MCOs, business groups, state agencies, and other stakeholders. Membership on the Steering Committee was extended to any interested person and there are over 50 individuals and groups represented on it. In addition, five work groups were established, each comprised of a cross-section of individuals, in the following areas:

? *Design*
? *Operations*
? *Finance*
? *Marketing/Outreach*

? *Safety Net*

These work groups have been meeting since June 2001 and are ongoing. The recommendations of the Work Groups formed the basis of the development of this waiver application.

Also during the period of June 2001-November 2001, the SCI team appeared at least monthly before the Legislative Health Subcommittee, an interim study committee of the legislature. This provided significant opportunity for legislative and public input. In addition to these public meetings, SCI conducted a series of regional focus groups with New Mexico businesses and a consumer focus group. Input from these focus groups was extremely useful in designing the features of this waiver.

The Robert Wood Johnson Foundation awarded New Mexico a SCI implementation grant in October 2002 that will provide additional resources to the state over the next three years to implement this SCI plan. New Mexico has been nationally recognized by SCI for its innovative approach to an employer-based system.

The SCI Steering Committee and Work Groups continue to meet regularly to develop implementation details. The Operations Work Group is developing the required public input process required of HSD programs. The Marketing/Outreach Work Group will develop a plan for educating and informing employers, employees, and the general public about the program.

Crowd Out Features

The waiver has a number of crowd out features:

? ***Individuals will not be eligible for SCI coverage unless they have been without insurance for at least 6 months.***
? ***Direct marketing by MCOs will provide an incentive for MCOs to first market their commercial plans then market SCI as a supplemental plan for low income employees that do not "take-up" the commercial plans.***
? ***The basic benefit design was carefully crafted to be somewhat less than most commercial plans so that employers currently providing coverage would not tend to shift to SCI coverage.***

II. Definitions

Income: In the context of the HIFA demonstration, income limits for coverage expansions are expressed in terms of gross income, excluding sources of income that cannot be counted pursuant to other statutes (such as Agent Orange payments.)

Mandatory Populations: Refers to those eligibility groups that a State must cover in its Medicaid State Plan, as specified in Section 1902(a)(10) and described at 42 CFR Part 435,

TOPIC	SAN JUAN BYLAWS	ST. VINCENT CURRENT	ST. VINCENT FUTURE
Board Membership	Made up of community members.	Made up of community members.	Will continue to be made up of community members.
Board Committees	Made of Board members. Chair can call special committees for one year.	Made of Board members and community experts. Chair may call special committees.	Will issue open call for application to recruit non-board community members to Board Committees based on expertise.
Community Involvement	Corporation made up of representatives from other non-profit and service organizations hear "State of the Hospital" reports and nominate or appoint other members for the Corporation. Some selected by Chair to partcipate in Board Nominating Committee.	Conduct periodic forums and focus groups. Interview stakeholder groups in the development of strategic plan. Survey residents annually. Issue Community Benefit and Annual Reports.	Proposing an Ambassador Group made up of representatives from major employers, non-profits and governmental entities which will meet bi-annually for "State of the Hospital" reports. Group will also be available for specific focus groups and polling, and to serve on special committees called by the chair or issue-specific committees. Applicants for Board Committees without needed area of expertise may also be appointed to Ambassador Group.

ST. VINCENT REGIONAL MEDICAL CENTER

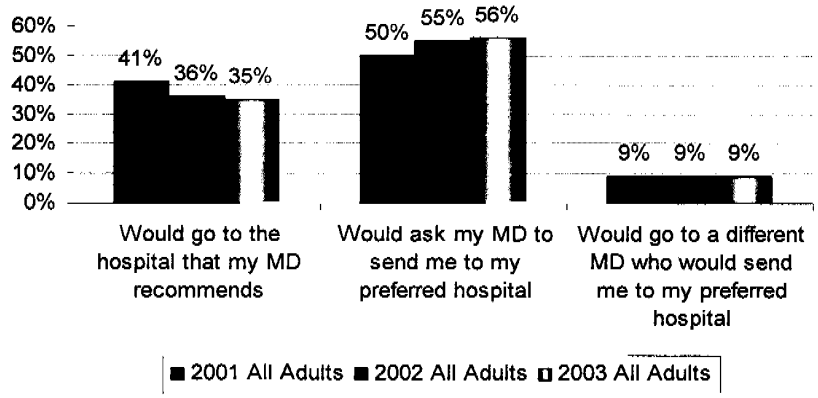
STATE OF HEALTHCARE 2006

NATIONAL HEALTHCARE ENVIRONMENT

- National trends in technology, finance, economics, sociology and regulation play a significant role in planning for the future of St. Vincent Regional Medical Center.
- Key trends are important to our future and are laid out in more detail on the following pages. They include:
  - Increasing consumerism in health care,
  - Workforce supply and demand projections and commitment levels,
  - National Admissions, Visits, Bed Availability, and Average Length of Stay,
  - Informatics to improve care, service and efficiency,
  - National Capital Spending,
  - Constantly evolving and improving treatment methods and technology,
  - Declining government reimbursement,
  - Increasing numbers of uninsured and underinsured patients,
  - Shifts in commercial payer structure,
  - Regulatory Environment and Pay for Performance (P4P),
  - Hospital Ownership Status.

CONSUMERS WHO EXPECT MORE

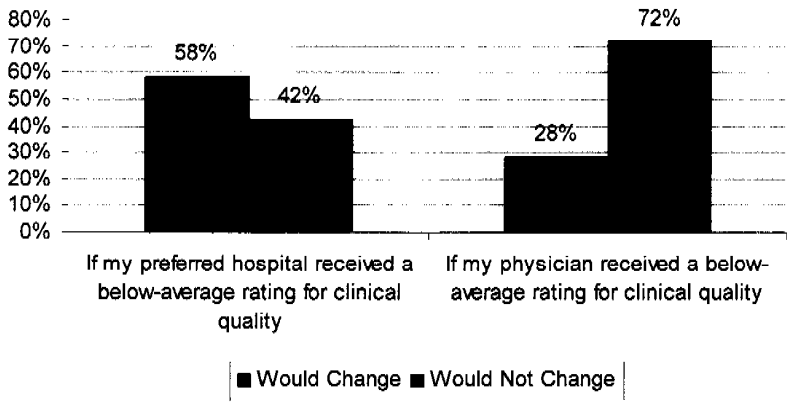
Physician's Role in Hospital Selection



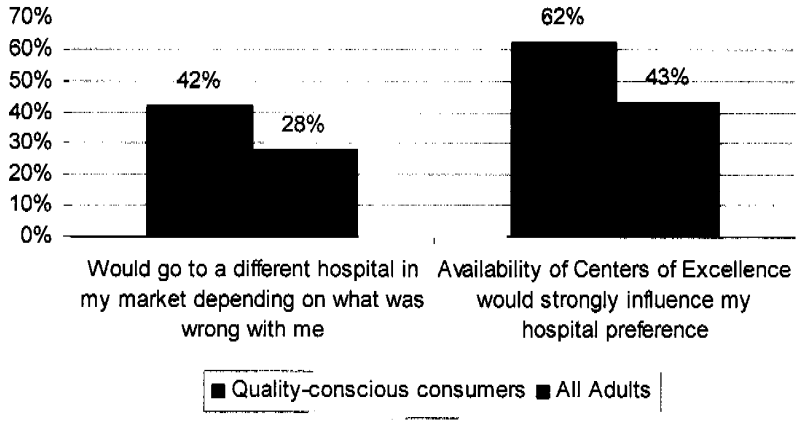
Consumers are increasingly more likely to be involved in selecting where they go for hospital care ...

and would look at clinical ratings to help them determine preference.

Consumer Loyalty in the Face of Poor Clinical Ratings



Differentiating Among Hospitals



In 2003, 18% of adults were "Quality Conscious Consumers". These consumers tend to have higher incomes & better insurance coverage. To maintain a healthy payer mix, hospitals must be able to appeal to quality-conscious consumers.

Source for all graphs this page: Solucient LLC, HealthViewPlus, www.solucient.com

CAREGIVERS WHO EXPECT MORE IN EXCHANGE FOR THEIR COMMITMENT…

Demand for RNs in 2020: 2.8 million
Expected supply given current trends: 2.2 million

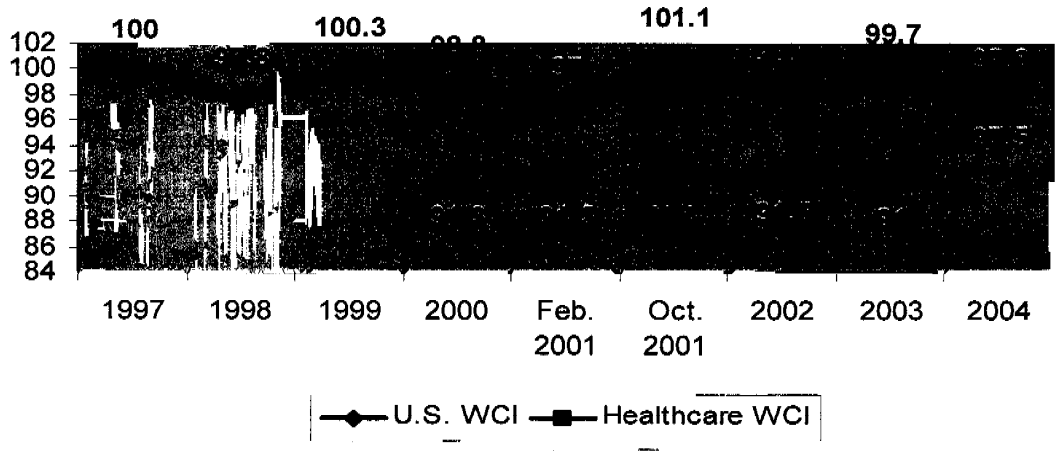
What's Driving Commitment?

The Top 10 Drivers of Commitment for the healthcare field in order of importance

Drivers of Commitment		
Your organization demonstrates the importance of retaining employees	62%	54%
The compensation you receive from the work you do		
Your organization's efforts to build a sense of spirit and pride	78	66
Your supervisor's ability to achieve results through effective leadership		
People you work with support your needs as a person and not just as a worker	86	80
Your organization is ensuring job security for employees		
Your organization's ability to deliver quality patient care	91	83
Your organization's commitment to the creation of a diverse workforce free from discrimination and harassment		72
The opportunities for personal growth provided by doing your job	74	67
Your opinions being heard by all levels of management		

Workforce Commitment Index

(based on employees' responses to driver's of commitment questions)

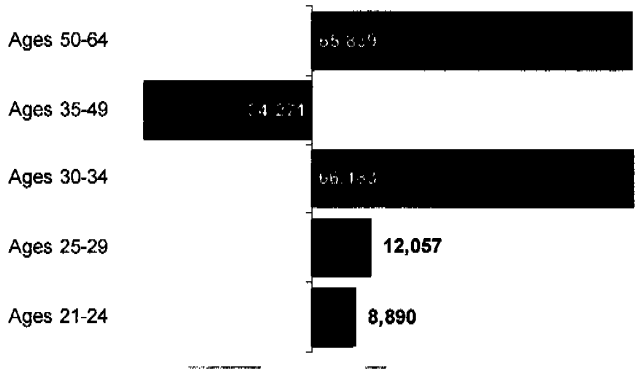


Source: Sponsored by AON Consulting and American Society for Healthcare Human Resources Administration. Index scores above 100 represent a higher level of commitment than the national baseline, while scores below 100 indicate a lower level.

When demand is higher than supply, the resource becomes more expensive, and harder to keep …

...AND WILL BE ABLE TO GET IT

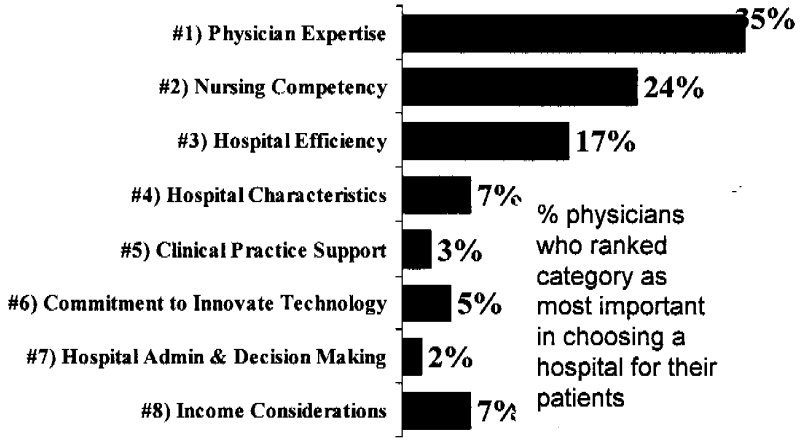
2003 Employment Growth/Loss of RNs by Age



Source: *Health Affairs, Nov 17, 2004 "New Signs of a strengthening US Nurse Labor Market?", healthaffairs.org*

The average age of the RN workforce has been rising steadily since the mid-1980's. By 2010 the average age is projected to be 45.4 years.

Results of Force-Ranking in Physician Survey

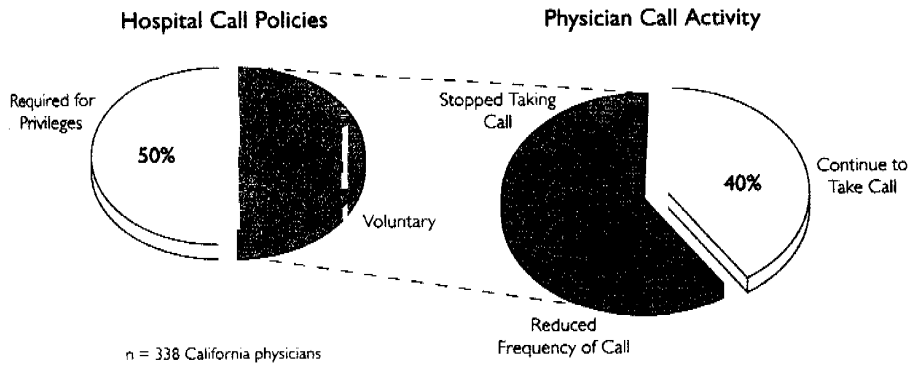


Physician Considerations When Choosing a Hospital

#1 Availability of preferred OR/cath lab times	**62%**
#3 Availability of skilled anesthesiologists	**59%**
#4 Ease of scheduling outpatient appointments	**58%**
#5 Timely execution of diagnostic tests and medication orders	**57%**
#9 Quick room turnover	**49%**
#10 High rate of on-time starts	**48%**

Efficient operations are a stand-out concern in Clinical Advisory Board Survey of Physicians

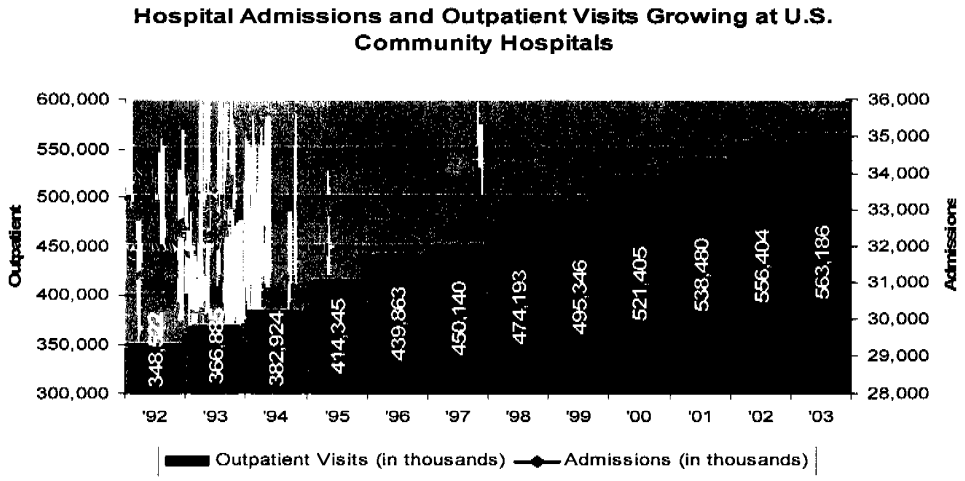
Voting with Their Feet



Source: *Advisory Board; California Medical Association, Center for Medical Policy and Economics, 2001*

Hard won or nonexistent reimbursement leaves little financial incentives for physicians to cut office hours or impose limits on personal time to take ED call.

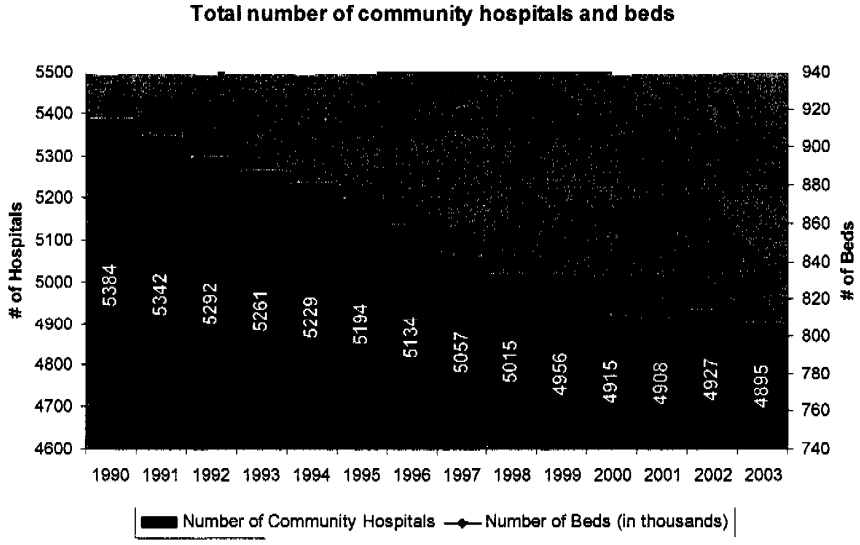
DELIVERING MORE WITH GREATER EFFICIENCY



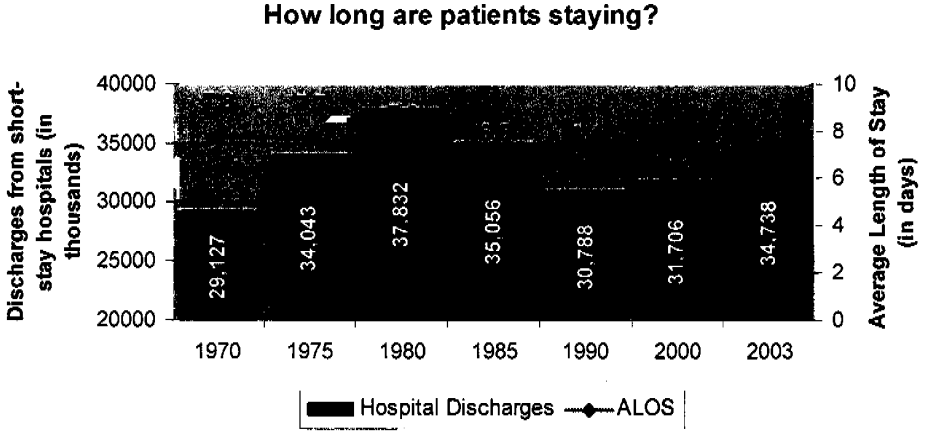
The last 10 years has seen a 3.85 million increase in admissions and 215 million more outpatient visits.

Source: AHA; National Hospital Discharge Survey, National Center for Health Statistics, CDC, cdc.gov/nchs

The numbers of hospitals and beds continue to decline with about 500 fewer hospitals than 15 years ago and 110,000 fewer beds.



Source: American Hospital Association, aha.org

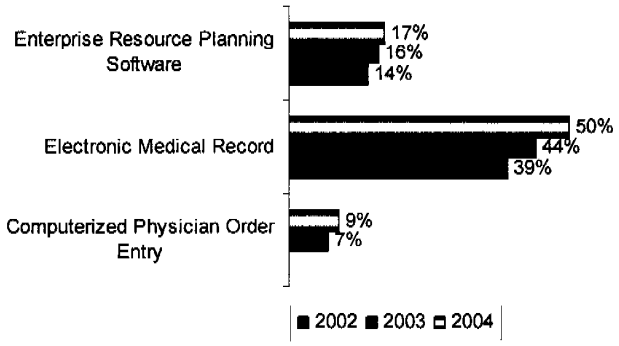


From 7.8 to 4.8 days, the ALOS indicates more efficient care.

Source: AHA; National Hospital Discharge Survey, National Center for Health Statistics, CDC, cdc.gov/nchs

DELIVERING MORE BY CONNECTING AND AUTOMATING

What did hospitals install, 2002-04?



Source: HIMSS Analytics Database survey, himssanalytics.com

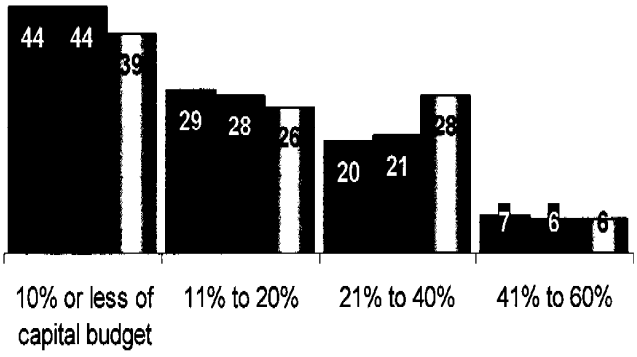
Many hospitals are looking to IS for homerun solutions:

- To provide better coordinated, more accurately recorded care throughout the care continuum,
- To track and improve throughput,
- To improve successes in revenue cycle management
- To offer better connectivity to customers and physicians

Most spending is focused on making clinical care more efficient, convenient and safe ...

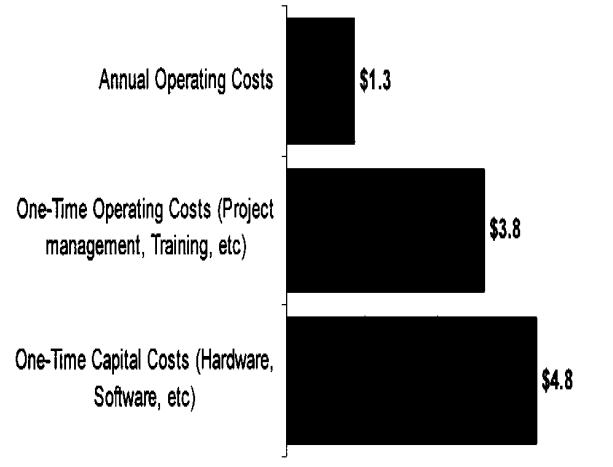
Percentage of Capital Budget Spent on IT Assets

(percentage of respondents selecting each range)



Source: PriceWaterhouseCoopers, Michael H. Kreitzer & Assoc, Modern Healthcare's 2004 Information Systmes Survey (Feb 23, 2004 Issue), modernhealthcare.com

Est. Cost of Computerized Physician Order Entry for a 500-bed Hospital (millions)

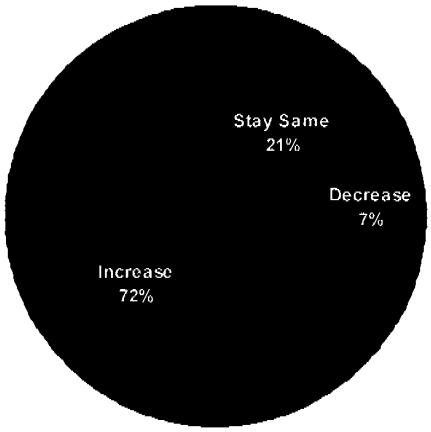


Source: First Consulting Group, aha.org

...and successful results do require substantial investment in tools & training.

DELIVERING MORE BY UPDATING OLD FACILITIES

Projected Capital Spending Changes at Hospitals, 2004

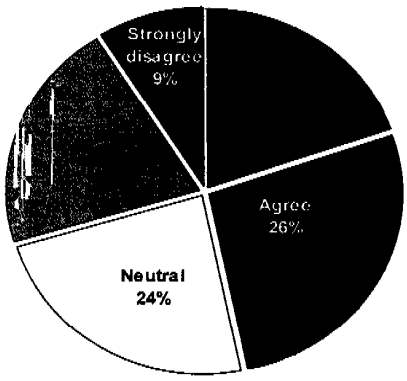


Source: Healthcare Financial Management Assoc, Survey of CFOs, pub. March 2004, hfma.org

For non-IT capital projects:
51% hospitals increasing ER capacity
50% are increasing OR capacity
37% are adding specialty units
36% are converting to all-private rooms
35% are increasing bed capacity

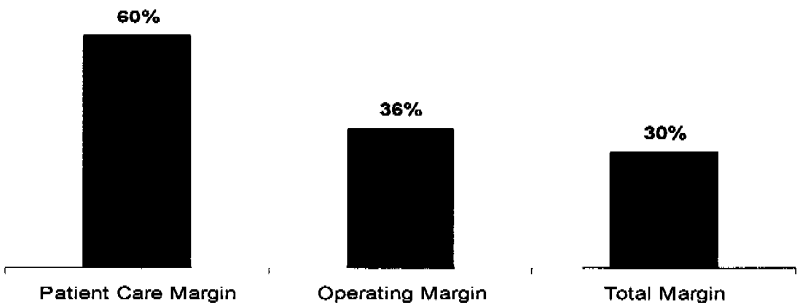
CFO Response to : Our hospital's infrastructure is deteriorating faster than we can make capital improvements

Despite spending, most still struggle to keep up with capital needs...



Source: Healthcare Financial Management Association Survey of CFOs published March 2004 (hfma.org)
Note – Percentages do not add up due to rounding.

Percent of Hospitals with Negative Margins in 2003



...amid challenging financial outlooks.

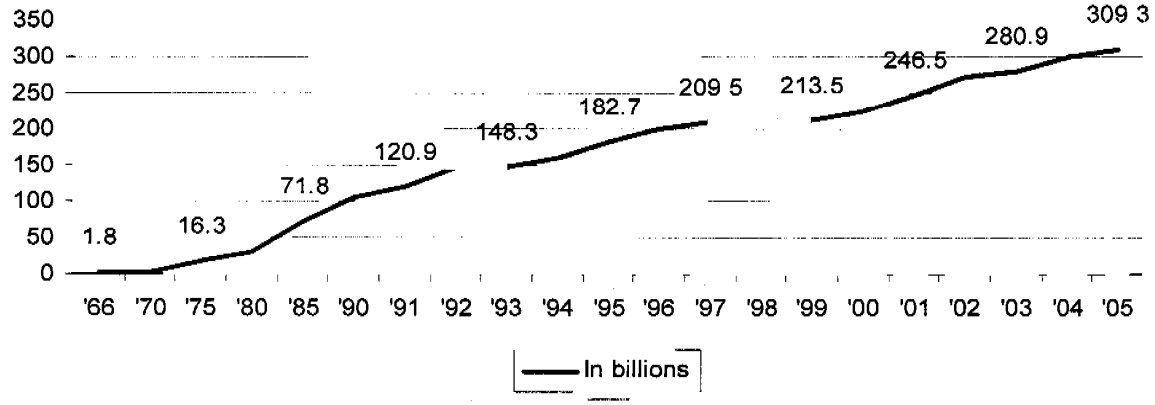
Source: American Hospital Association, aha.org

DELIVERING MORE THROUGH CLINICAL ADVANCES

- Cancer
  - Molecular medicine, gene therapy, fiber-optic light treatment. Advances in cancer care make access to trials and good protocols more and more desirable.
- Heart
  - While the use of drug-eluding stents grows, the need for surgical back-up for successful interventional programs remains. Atrial Fibrillation Surgical Ablation therapy is the next treatment hospitals are exploring.
- Surgery
  - Surgery robots? They are already available. As with new technology in many industries, what is currently available is not ideal and still cost prohibitive.
- Orthopaedics
  - Spine continues to be an important area of investment. Some new technologies such as artificial discs and growth factors are not yet profitable investments for hospitals.
- ED
  - More hospitals are recognizing the ED's role in crafting the hospital's image as the number of ED visits far outnumbers patient admissions. Many hospitals have been implementing concentrated ED service efforts.
- Advances in Patient Safety
  - Electronic Health Records, Bar coding, Smart IV Pumps and Computerized Physician Order Entry are all technologies which will improve patient safety.

WHO WILL BE ABLE TO PICK UP THE GROWING TAB?

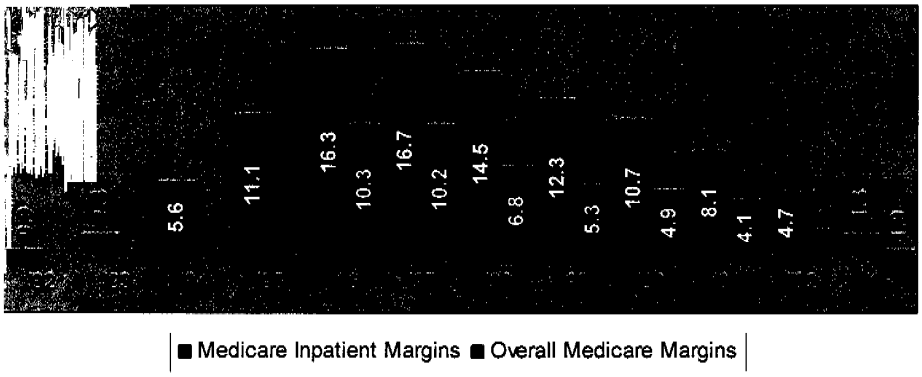
Total Medicare Spending, 1966-2005



Source: Centers for Medicaid & Medicare, cms.gov

Medicare Profit Margins

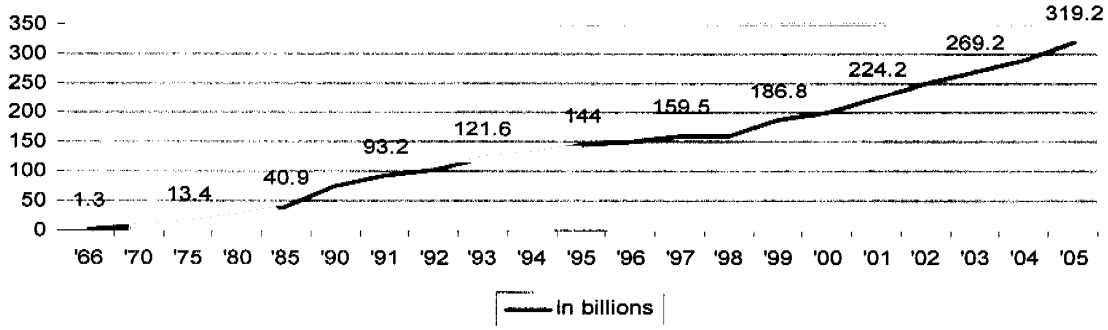
Possibly the Federal taxpayers...



Source: Medicare Payment Advisory Commission, medpac.gov

...possibly the State taxpayers...

Total Medicaid Spending, 1966-2005

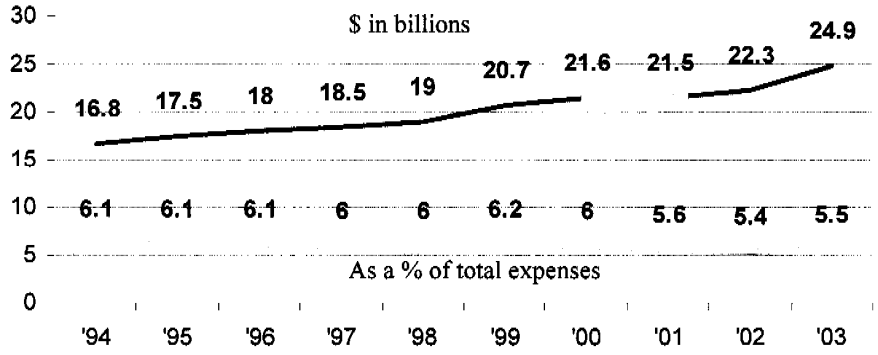


Source: Centers for Medicaid & Medicare, cms.gov

WHO WILL BE ABLE TO PICK UP THE GROWING TAB?

...maybe the local taxpayers...

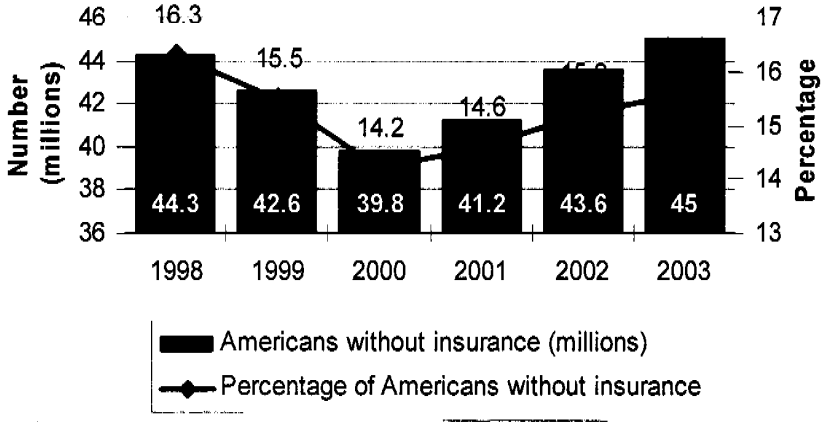
Uncompensated Care at Hospitals Nationally, 1994-2003



Source: American Hospital Association, aha.org

America's Uninsured

(number and percentage of population lacking health insurance)

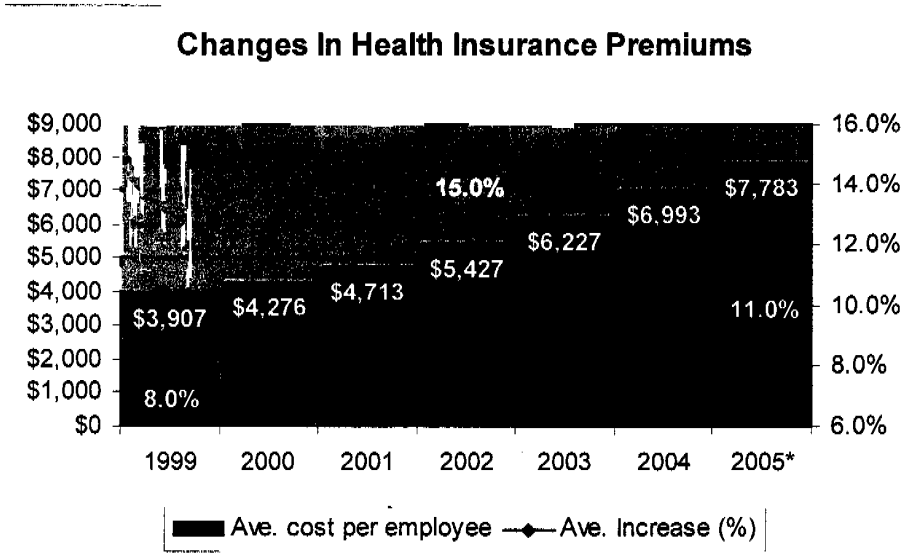


Source: US Census Bureau, census.gov

...definitely not the uninsured.

Most likely, health insurance consumers and healthcare providers will take more hits.

HOW ARE CONSUMERS WARDING OFF ESCALATING COSTS?

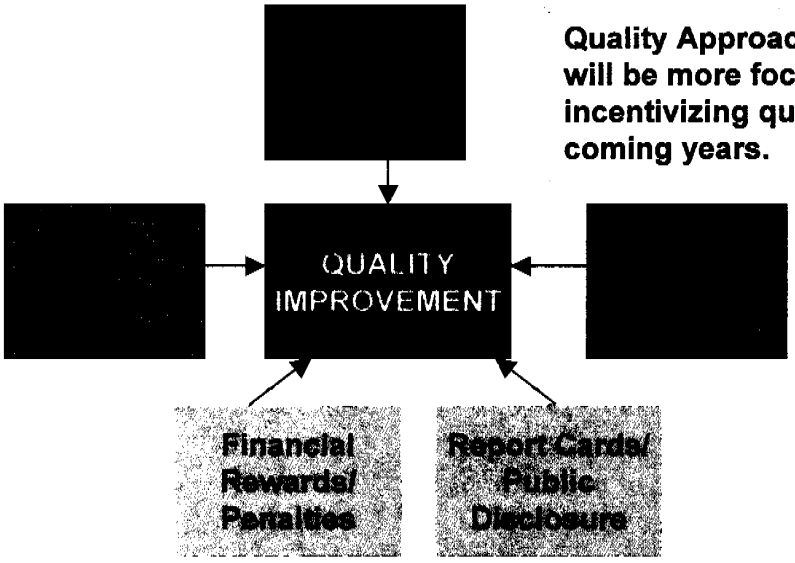


* Projected; Source: Hewitt Associates, hewitt.com

- Cost shifting: Employers are deferring more costs to employees
  - Employee Contribution is up 126% over the last 5 years vs. 76% for employers.1
- Employee Health Management: Offering, even incentivizing healthy lifestyles
- Provider Choice Incentivization: Employers offer incentives for employees choosing certain providers
- Consumer-driven Plans on the rise:
  - Compared with around 400,000 in September of last year, 1,031,000 people are covered by Health Spending Accounts as of March 2005. H.S.A.s have not yet taken off in NM.2
- Individual Insurance: Of the 556,000 individuals with H.S.A.'s, 37% were previously uninsured.
- Dropping coverage: 5 million additional Americans went without health insurance between 2000 and 2003.3

Sources: 1) Hewitt Associates; 2) AHIP Center for Policy Research; 3)US Census Bureau.

QUALITY INCENTIVIZATION & REGULATORY ENVIRONMENT

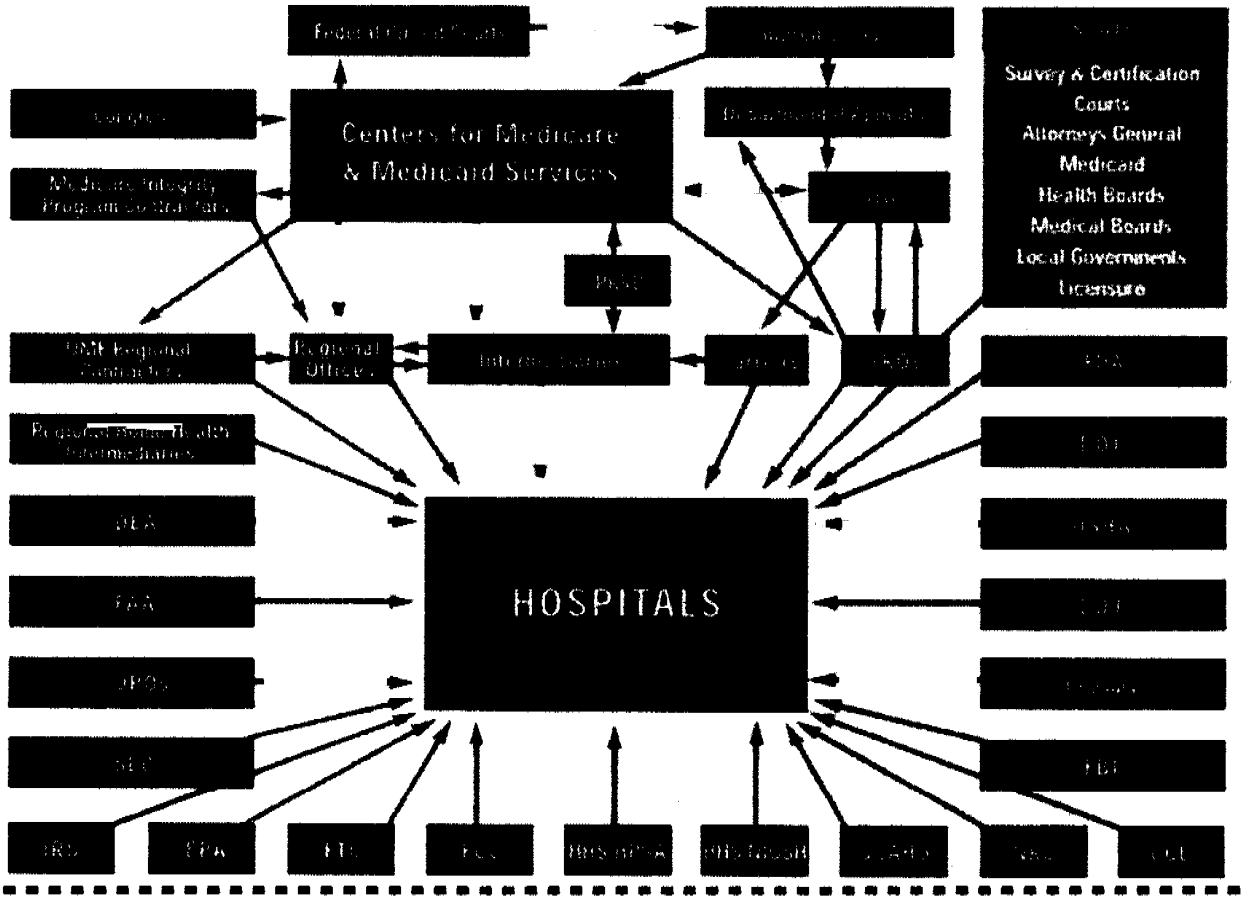


Quality Approaches by payers will be more focused on incentivizing quality in the coming years.

"Pay" for Performance

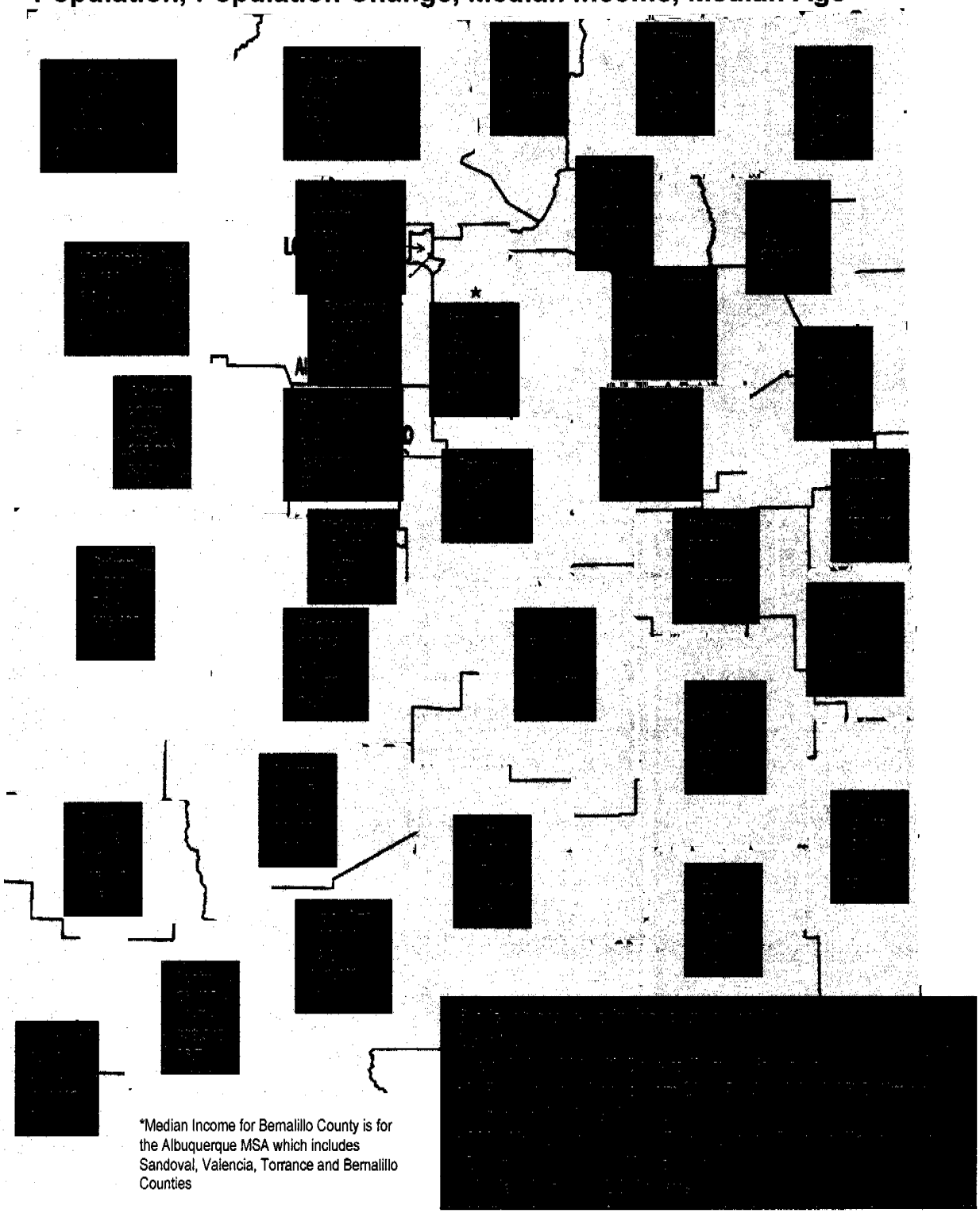
Source: American Hospital Association, aha.org

Complex, cumbersome and confusing healthcare regulation continues.



NEW MEXICO DEMOGRAPHICS

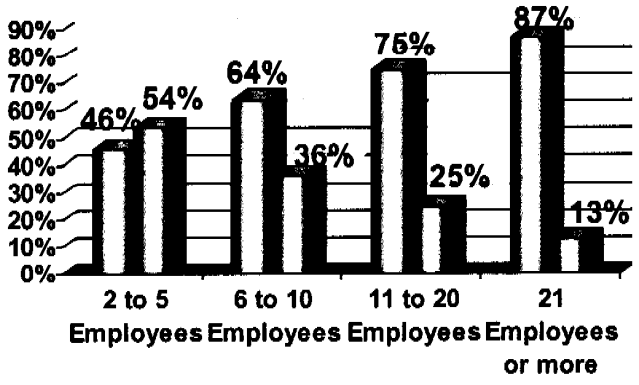
New Mexico Counties
Population, Population Change, Median Income, Median Age



*Median Income for Bernalillo County is for the Albuquerque MSA which includes Sandoval, Valencia, Torrance and Bernalillo Counties

NEW MEXICO INSURANCE ENVIRONMENT

Health Insurance coverage rates among employers, segmented by # of employees

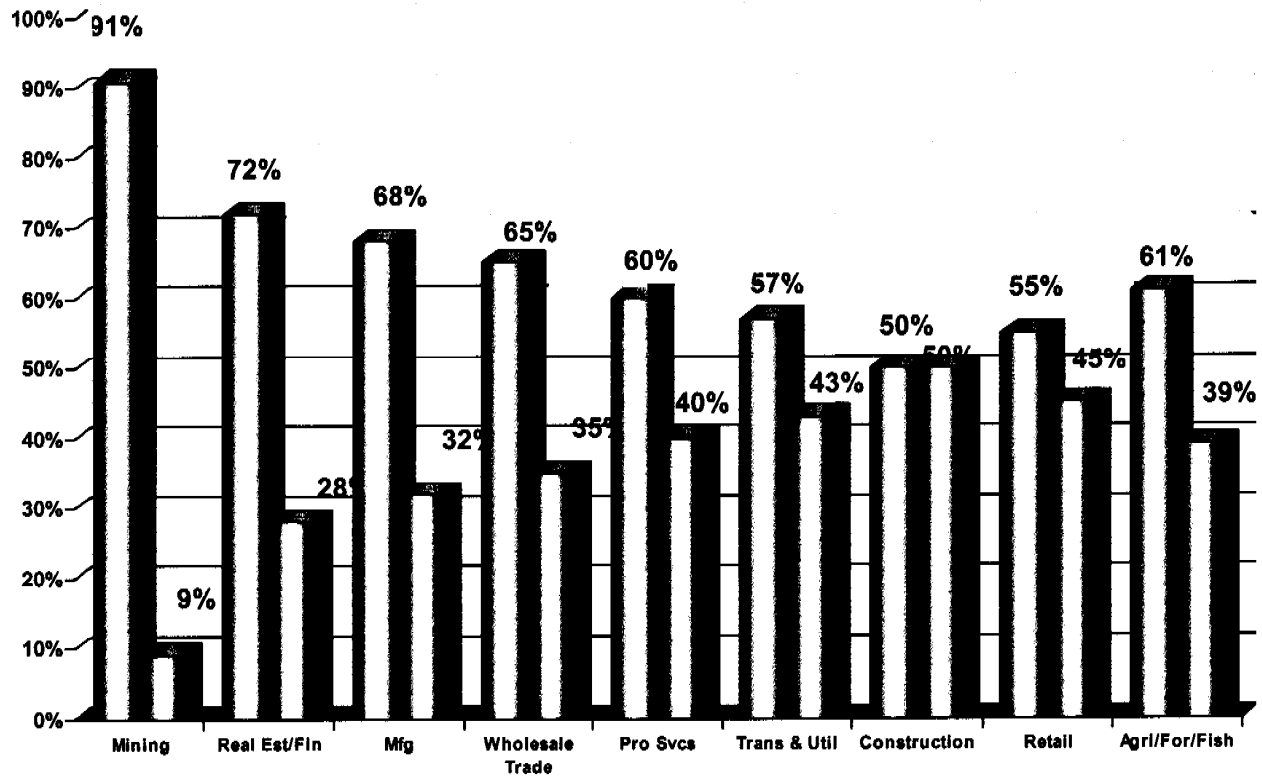


New Mexicans employed in industries without much health insurance:
Construction - 54,300
Retail Trade- 94,000
Agriculture- 24,000

Yes, Insurance Offered (N=794) **No, Insurance Not Offered (N=542**

Source: Insure New Mexico Council Report to Governor Bill Richardson, 2004

Health Insurance coverage rates among employers, segmented by Industry Category



Source: Insure New Mexico Council Report to Governor Bill Richardson, 2004

ST. VINCENT REGIONAL MEDICAL CENTER
COMMUNITY BOARD OF DIRECTORS

Kathy Armijo-Etre

Francis C'de Baca

David Delgado

Frank DiLuzio *

Jamie Gagan, MD

David Gunderson, MD

*Ernestine Lawrence**

Michael Palestine, MD

Patrick Quinn, MD

Al Robeson

Rosemary Romero

Craig Smith

Jack Smith

*Gene Valdes**

Alex Valdez

Cliff Vernick, MD

Karen Wells, RN

Bill Zeckendorf

Jack Zwemer, MD

*County request for nomination

COMMUNITY BENEFIT REPORT:

"We are a faith-based, community-based, not-for-profit medical center that is improved by providing health care to communities across Northern New Mexico." St. Vincent Regional Medical Center Mission Statement

ST. VINCENT REGIONAL MEDICAL CENTER

St. Vincent: Committed to our Community

Thanks for taking a moment to review the St. Vincent Regional Medical Center Community Benefit Report. We hope this will allow for some additional insight into the role that St. Vincent plays within our community.

While St. Vincent is enjoying one of the strongest and most productive years of its 140-year history, it's important for me to acknowledge why this is possible. To that end, I'd like to begin by thanking all of our employees, our nurses and our physicians who provide a wide variety of care for a diverse assortment of individuals on a daily basis.

This community benefit report also stands as recognition to our community as our partner in making St. Vincent a healthy and viable organization. Because of you St. Vincent is able to play a far-reaching role within Northern New Mexico. A stable and prosperous organization is one that gives back to the community it serves and doing so is something in which we take great pride.

For St. Vincent, strong partnerships with our state, county and local governments are crucial to our success. These entities work diligently with St. Vincent to identify areas of need and opportunity for helping to build and maintain a healthy community.

As you will see on the following page, St. Vincent works with a variety of entities to ensure monies distributed to various organizations reach those who need it most. In addition to these community health events and the organizations supported by St. Vincent and its key partners, the amount of uncompensated care provided is outlined. St. Vincent provides all care necessary to those who require it regardless of ability to pay. For the employees of St. Vincent, providing this type of care brings with it a sense of pride and accomplishment and further serves to solidify our commitment to our community.

In addition to providing much needed assistance to the organizations listed on the following page, St. Vincent will continue to expand and improve the many quality programs it already has in place. We will continue on our path toward improvement and our commitment to excellence will not waver in our work to be the hospital of choice for all Northern New Mexicans.

ALEX VALDEZ, CEO

J. Alex Valdez

St. Vincent Regional Medical Center: A Brief History

St. Vincent Regional Medical Center serves as the hospital for the north central/north eastern tier of the State. It is northern New Mexico's Colorado residents for more than 140 years. It is the oldest health care facility in the State. Established in 1865 and originally run by the

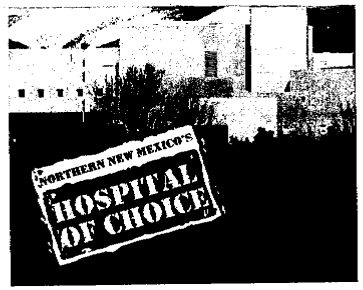
ST. VINCENT REGIONAL MEDICAL CENTER PROGRAMS

- **Anticoagulation Clinic**
- **Arroyo Chamiso Pediatrics**
- **Behavioral Health Services**
- **Cancer Center**
- **Center for Living Well**
- **Children's Services**
- **Emergency Services**
- **Fast Track Services**
- **Heart and Vascular Center**
- **Hospitalist Program**
- **Inpatient Acute and Critical Care**
- **Invasive Radiology**
- **Laboratory**
- **Lipid Clinic**
- **Outpatient Procedures Clinic**
- **Pain Clinic**
- **Pediatric Group**
  (12 Pediatricians and Practioners)
- **Pojoaque Primary Care**
  (2 Family Practice Physicans)
- **Rehabilitation Services**
- **Spine Center**
- **Surgical Services**
- **Sleep Study Center**
- **Surgical Group**
  (7 surgeons)
- **Orthopaedic Group**
  (5 surgeons)
- **Women's Services**
- **Wound Care Center**

largest general acute care hospital serving seven counties between Albuquerque and the Colorado border, as well as portions of southern Colorado. The hospital has been providing care to Santa Fe, northern New Mexico, and southern

Sisters of Charity, St. Vincent is now a non-profit, non-affiliated hospital overseen by a community board of directors. Many things have changed since the hospital opened its doors in 1865, but its purpose remains the same.

St. Vincent Vision: To be the medical center of choice for patients and their families. Our patients and community will say: "St. Vincent. This is where I choose to go for my care."



St. Vincent and Santa Fe County Partner to Benefit the Community

In addition to the uncompensated healthcare St. Vincent provides to the region, the hospital has also recognized the need for significant community-wide health and human services beyond the direct services of the hospital. To that end, St. Vincent has entered into a Memorandum of Agreement ("MOA") with Santa Fe County to coordinate, facilitate and help fund the delivery of certain key community health and human services. These MOA services—directed toward those with limited or no means to pay, underserved populations, and the broader community—are funded by the hospital and are provided either directly by St. Vincent, by the County, or through other non-profit community health care organizations.

For FY06, the MOA contribution committed by the hospital totals over $8 million. Funded programs under the MOA are included in the Community Benefit Report on the following page.

A Sole Community Provider

In support of its standing as a non-profit, sole community provider health care organization serving Santa Fe county and the region, five New Mexico counties contribute funds to assist St. Vincent in securing state and federal matching funds through Sole Community Provider Funds. These counties include Santa Fe, Taos, Rio Arriba, San Miguel and Los Alamos. Sole Community Provider Funds help cover the significant level of uncompensated costs the hospital incurs for patients with limited or no means to pay for health services.

ST.VINCENT REGIONAL MEDICAL CENTER MEDICAL STAFF SECTIONS

- Anesthesiology
- Cardiology
- Dermatology
- Ear, Nose & Throat
- Emergency Medicine
- Family Practice
- General, Vascular & Thoracic Surgery
- Hospitalists
- Internal Medicine
- Neurology & Neurosurgery
- Obstetrics & Gynecology
- Oncology (Radiation and Medical)
- Ophthalmology
- Oral Surgery
- Orthopedic Surgery
- Pathology
- Pediatrics
- Physical Medicine and Rehab
- Plastic Surgery
- Podiatry
- Psychiatry
- Radiation Oncology
- Radiology
- Urology

St. Vincent provides care on a continuous basis, 24 hours a day, 7 days a week, 365 days a year to those patients requiring such care and service. www.stvin.org
(505) 983-3361

ST. VINCENT REGIONAL
MEDICAL CENTER

St. Vincent Offers Living Proof of Quality Medical Care

Proudly Providing Care for all Northern New Mexicans

ST. VINCENT REGIONAL MEDICAL CENTER

For the last 140 years, St. Vincent Regional Medical Center (SVRMC) has played a vital role in providing Northern New Mexico with much-needed health care through the warm touch of its dedicated employees, nurses and physicians.

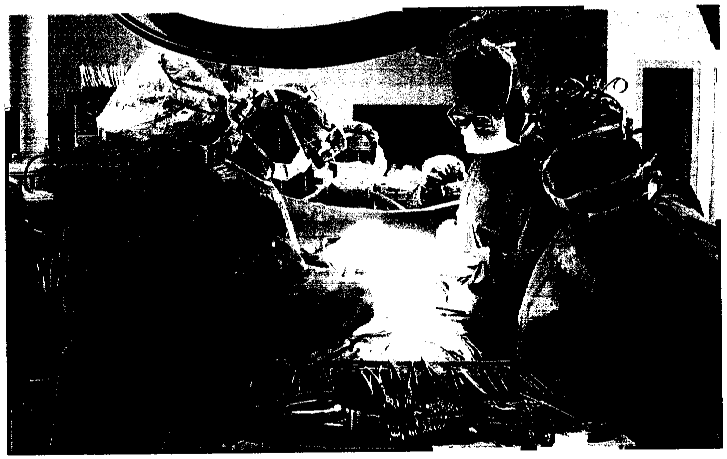
Established in 1865, St. Vincent Regional Medical Center has successfully evolved and grown as the needs of the city and region have changed. The hospital was incorporated as a private, not-for-profit corporation in 1967 and is accredited by the Joint Commission on the Accreditation of Hospital Organizations.

In 1977, a new hospital was constructed and St. Vincent relocated to its present location on a 40-acre site in southeast Santa Fe. The three-floor, 269,000 square foot facility was completed and occupied in July 1977. The facility houses all inpatient care services, as well as most ancillary services. A cancer center wing and surgery wing were added in 1982 and 1983, respectively. In 1985, a behavioral health wing was constructed. The hospital operates four medical clinics apart from the hospital facility: Arroyo Chamiso Pediatric Clinic (with 2 Pediatricians), Pojoaque Primary Care, St. Vincent Surgical Group (now with 7 surgeons - 6 general and 1 trauma), and the St. Vincent Orthopedic Group (with 3 surgeons). SVRMC uses state-of-the-art technology to provide comprehensive care to all.

St. Vincent offers a broad range of healthcare services to cover the continuum of care. St. Vincent is licensed to operate 210 acute inpatient care beds, 20 psychiatric inpatient beds, and 18 inpatient rehabilitation beds. The hospital's medical staff includes nearly 250 physicians representing 22 specialties.

As the Santa Fe area's only full-service hospital, St. Vincent Regional Medical Center is a dynamic and growing organization that will continue to evolve and adapt to ensure it is always ready to meet the needs of its patients and the community.

Among the ways St. Vincent will continue to do this is with the creation and development of new programs to address a variety of patient needs. Plans include a Spine Center and a Wound Care Center. Both to open in the coming year. In addition, St. Vincent recently expanded its Laboratory Services to include an outpatient site at Physicians Plaza across the campus from the hospital.



Open-heart procedures such as valve replacement and coronary artery bypass surgery are now available in Santa Fe, thanks to the expansion of St. Vincent and the new St. Vincent Regional Heart & Vascular Center Cardiac Surgery Program.

Santa Fe Hospital Makes a Difference

When it comes to care, the St. Vincent Regional Cancer Center provides health, hope and healing

The St. Vincent Regional Cancer Center offers patients medical, surgical and radiation oncology services that are delivered with the highest level of care coordination available.

The Center's specially trained clinical care coordinator assists patients and their families in navigating individualized care plans from diagnosis through treatment.

In addition, the Center offers the best technology for fighting cancer, providing complimentary holistic medicine, genetic counseling, support group access, rehabilitation, healthy eating cooking classes, massage therapy and financial counseling.

The Center also features a Healing Garden that is designed to provide patients and visitors with a soothing and cheerful outdoor location for visiting and relaxation.

Medical Center Launches Cardiac Surgery Program

ST. VINCENT REGIONAL MEDICAL CENTER

The launch of the St. Vincent Regional Heart & Vascular Center Cardiac Surgery Program stands as a watershed moment for not only the hospital, but for Santa Fe and all Northern New Mexico communities. Patients and their families who had no option but to drive to Albuquerque for cardiac surgery procedures, can now stay close to home.

As the result of a strategic partnership with the New Mexico Heart Institute, Dr. Richard Gerety became the Cardiac Surgery Program's medical director. Dr. Gerety's expertise allows St. Vincent to offer open-heart procedures such as valve replacement and coronary artery bypass surgery closer to home. The program continues to offer other cardiovascular services such as heart catheterization and angioplasty.

The new program features a state-of-the-art, 850-square-foot operating room and $2.5 million worth of new equipment, including a heart and lung machine. Flat-screen monitors on jointed mechanical arms have been added and allow members of the surgical staff to watch the surgery from their stations, thus improving efficiency and quality of care.

Prior to the introduction of this new and exciting program, the hospital's Heart and Vascular Center was the only program in Northern New Mexico to perform coronary intervention procedures. The Duke Clinical Research Institute has recognized St. Vincent's Coronary Intervention Program for providing outstanding coronary care. Over the last year, the St. Vincent Heart and Vascular Center performed 856 procedures.

ED Expands with Needs of Northern New Mexico

Following meticulous and intensive planning, St. Vincent Regional Medical Center is poised to break ground summer 2006 on the expansion and renovation of North-Central New Mexico's only Level III Emergency Department.

This planning has included support from the community, the St. Vincent Hospital Foundation, our New Mexico State Legislature and Gov. Bill Richardson. Together, they have worked to generously provide approximately $5 million for the planned expansion.

As the "gateway" for Northern New Mexico, St. Vincent is an independent community hospital that provides health care and Emergency Medicine to our growing and diverse residents across all social and economic demographics. St. Vincent's Emergency Department and Trauma Services are among the most widely used. Between 52,000 and 60,000 receive care through the ED each year. The planned Emergency Department expansion and renovation will allow St. Vincent to respond to the needs of this ever-evolving population.

In addition to demographic changes, New Mexico is faced with some unique health and safety issues, which increase the need for an excellent trauma system.

Expansion and renovation will provide:

- Additional square footage for care-giving facilities
- Additional triage bays, forty treatment spaces plus two treatment spaces devoted to trauma patients
- A significant increase in patient rooms
- A separate pediatric unit with child-friendly waiting areas and treatment rooms
- Integrated electronic medical records & technology for telemedicine support, enhancing communication between ED services, primary care physicians and specialists
- A higher level of Biohazard Preparedness
- Improved patient confidentiality & security
- Enhanced, comprehensive medical support for Pediatrics and Women's Services
- Areas dedicated to family counseling and grieving

All these efforts represent an enhancement of services and a reduction in waiting time for patients. The total cost for renovation and expansion will be approximately $12 million.

ST. VINCENT REGIONAL MEDICAL CENTER

(at a glance)

"We are a collaborative, community-based and non-profit medical center that improves lives by providing health care to communities across Northern New Mexico." St. Vincent Regional Medical Center Mission Statement

Number of Hospital Admissions:	~12,800
Babies Delivered:	~1,600
Emergency Department Visits:	~52,000
Outpatient Visits:	~65,000
Number of Surgeries:	~9,500
Number of Employees:	1,676
Physicians representing 22 specialties:	250
Employee Payroll and Benefits (Annually):	~$88,000,000
Financials (FY2005):	
Revenue	$188.4 million
Expenses	$182.6 million
Margin to reinvest	$5.8 million

- 268 licensed beds
- Nearly 250 staff physicians representing 24 medical specialties
- The major regional medical center for a 19,000 square-mile area covering seven counties
- Largest hospital facility north of Albuquerque, New Mexico and south of Pueblo, Colorado
- Classified as a Sole Community Provider by the Centers for Medicare and Medicaid Services (CMS)
- Accredited by the Joint Commission on the Accreditation of Healthcare Organizations (JCAHO)
- The only Level III Trauma Center in northern New Mexico

Community Involvement

Each year, St. Vincent Regional Medical center invests nearly $19 million in a variety of community sponsorships, community health education, community-based clinical services, and health care support services. This includes community directed donations. This investment and involvement are a direct testament to our commitment to bettering ourselves and the community around us.

Below are just a few of the many important programs and activities supported by St. Vincent.

- AIDS Walk
- American Cancer Society Relay for Life
- Annual St. Vincent Free Flu Shot Clinic
- Arroyo Chamiso Pediatric Center Patient Appreciation Day
- Big Brothers Big Sisters

- Boy Scouts of America
- Breast Cancer Screening Clinic
- Breast & Cervical Cancer Grant
- Buckaroo Ball Corporate Sponsor
- Care Connection Open House
- Community Health Day, San Ildefonso Pueblo
- Health Forums & Fairs at Tesuque Pueblo
- Chamber of Commerce
- "Christmas for Kids" Coat Drive
- DeVargas Women's Health Fair
- Domestic Violence
- Forum at St. Francis Cathedral
- Government & Corporate Employee Health Fairs
- Health & Safety Extravaganza
- Health Forum at Our Lady of Guadalupe Parish, Pojoaque
- Health Forums at Santa Maria de la Paz Catholic Community
- Kids' Health & Safety Safari
- Kids' Bike Safety Rodeos
- "Let's Dance" Collaboration with Santa Fe Community
- PARA Transit/Senior Medical Transport
- PMS Healthy Tomorrows Van
- PMS Mobile Health Fair Van
- Pojoaque Primary Care Free Flu Shot Clinic
- Prostate Cancer Screening Clinic
- Pojoaque Pueblo Butterfly Run
- Santa Fe Century Bike Ride
- Santa Fe Children's Museum
- Santa Fe Rape Crisis Center
- Special Olympics
- Trauma & Safety Awareness Programs
- United Way
- Women's Heart Health Day at St. Vincent
- Wood Gormley Elementary Fun Run
- Workforce Health Initiative

And many more

For a full list and other information on St. Vincent Community Benefit and Outreach, please see the articles in this publication on Sunday, April 23rd.

St. Vincent Regional Medical Center Kicks Off 2006 on Strongest Note Yet

I would like to extend my heartfelt appreciation for your continued support of St. Vincent Regional Medical Center. St. Vincent Regional Medical Center began 2006 on one of the strongest notes of its 140-year history. This solid beginning can be attributed directly to the outstanding care our physicians and clinical staff provide to our patients on a daily basis. Our physicians and clinical teams are continuously called upon to rise above their everyday duties to perform during both routine and crisis situations. Their dedication does not waver, regardless of what they are facing. St. Vincent is honored by their commitment and we are grateful for their flexibility and willingness to respond to the needs of the Northern New Mexico community. Our physicians willingly accept on-call duty so that St. Vincent is always staffed as comprehensively as possible and able to meet the healthcare needs of all.

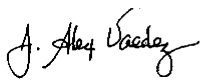
Using this solid foundation of support, St. Vincent will continue to plan and implement new programs as we work to anticipate the needs of our community. We will also strive to protect St. Vincent as a community treasure. This will remain our goal as we work to maintain our status as an effective and viable health provider during these challenging times. Our entire community is affected by our successes as well as by the challenges that arise. Strategic planning allows for forward thinking. As you are all aware, St. Vincent Regional Medical Center is a dynamic and evolving organization that will always continue to explore opportunities to strengthen its ability to further improve the care and services we provide to members of our community. We want to be the hospital of choice for all residents.

We are continuing our efforts for the planned Emergency Department Expansion, which we are confident will increase the already high level of quality care our dedicated nurses, doctors and support staff provide on a daily basis. As many of you have seen in the past few weeks, in addition to the daily emergency cases they treat, our Emergency Department staff has been called on to handle at least two mass casualty situations. In both cases, they responded admirably. New physicians to St. Vincent compared the experience of working in our Emergency Department with that of the best of major, big-city emergency rooms.

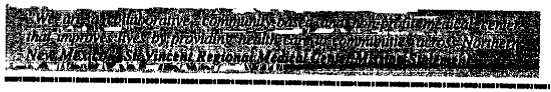
Recruitment and retention of qualified nurses and staff, and positive relationships with physicians continue to remain priorities for us. We understand the associated challenges and we continue to develop programs to address these challenges. Our current workforce of more than 1,600 staff and 250 physicians is our greatest asset. Without our employees and physicians we are nothing more than bricks and mortar, and it is they who have made St. Vincent the caring and compassionate organization it is today.

We will continue to work hard to make a positive and lasting difference in the lives of our community members.

ALEX VALDEZ, CEO



COMMUNITY BENEFITS TOTALS:



ST. VINCENT REGIONAL MEDICAL CENTER

Uncompensated/Uninsured Care **$2,282,352**

St. Vincent provides care to patients who have no insurance and limited or no means to pay for their care. This includes patients who meet each participating county's respective indigent criteria regarding ability to pay, patients who meet the hospital's charity criteria (which includes any patient who earns from 0 % to 200 % of the Federal poverty level for their family size), and certain other uninsured patients. This figure represents the cost of providing care over and above what the hospital is reimbursed from patients or government and allocation of amounts received through the SCPF (Sole Community Provider Fund).

Uncompensated Cost of Medicaid Program Care **$686,808**

St. Vincent provides care to beneficiaries covered by State Medicaid, including services provided under the traditional State program and services provided through approved Managed Care Organizations (MCOs) under the "SALUD" program. This figure represents the costs of providing these services over and above what St. Vincent is reimbursed from government funding or managed care organization reimbursements and allocation of amounts from the SCPF.

Non-Billed Services

These are services that St. Vincent provided or funded others to provide to improve community health that extends beyond its patient care activities. The amounts shown below represent the net cost to SVRMC to provide or fund these services in the fiscal year ended June 30, 2005. Expenses have been reduced by any fees, grants, or other external financial support received.

Community Health Services **$187,074**

This category includes community health education, community-based clinical services, and health care support services. The following activities were conducted in this area:

- **American Cancer Society**
- **Care Connection Open House**
- **Community Health Fairs**
- **Domestic Violence Ad Sponsor (First Lady Project)**
- **Health & Safety Extravaganza**
- **Kids' Health & Safety Safari**
- **Government and Corporate Employee Health Fairs**
- **Pojoaque Pueblo Butterfly Run Sponsorship**
- **San Ildefonso Health Fair**
- **Tesuque Pueblo Heart Forum**
- **Wellness Center Health Fair**
- **Women's Health Day at St. Vincent**

Financial Contributions **$50,912**

This category includes cash and in-kind donations to support health care and community initiatives. The following activities were conducted in this area:

- **ADELANTE Dinner (Food Donation)**
- **AIDS Walk**
- **Boy Scout's of America**
- **Buckaroo Ball**
- **Cornerstones**
- **Gerard's House**
- **March of Dimes Nurse of the Year**
- **NM Hospitals & Health Systems Auxiliary**
- **NM Pediatrics Society**
- **Presbyterian Medical Services "Celebrations of the Heart"**
- **Quality NM Conference**
- **Santa Fe Boys & Girls Club**
- **Santa Fe Children's Museum**
- **Santa Fe Rape Crisis Center**
- **United Way**
- **UNM Health Sciences Center Community Partnership Awards**
- **UNM School of Nursing Nightingale Award**
- **Provide No-Cost Meeting Space to Not-For-Profit Organizations**

Community-Building Activities **$5,175**

This category includes support for the development of community health programs and partnerships. The following activities were conducted in this area:

- **Christmas for Kids Program (Adopt-a-School Efforts)**
- **Statewide Association of Health Care Recruiters**
- **Health Policy Commission***
- **Career Fairs - Health Care Opportunities**
- **Job Shadowing Opportunities in Health Care**
- **Mentoring New Santa Fe Community College Nursing Students**
- **Coordination of Health & Human Services***
- **Healthcare Assistance Program Software***

- Wood Gormley Elementary Fun Run
- Breast Cancer Screening Clinic
- County Health Days*
- Flu Shot Clinic*
- Pojoaque Primary Care Flu Clinics
- Prostate Cancer Screening Clinic
- Sangre de Cristo Grant (Substance Abuse)
- Vascular Screenings
- Breast & Cervical Cancer Grant
- PARA Transit/Senior Medical Transport*
- PMS Healthy Tomorrows Van*

Health Professions Education **$622,329**

This category includes providing clinical settings, scholarships, internships, and residencies for physicians, nurses, and other health professionals. The following activities were conducted in this area:

- Medical Students
- Medical Residency Program
- Santa Fe Community College Nurse Scholarships
- SVH Foundation Nurse Scholarships
- Quality New Mexico
- Community College Affiliations-Nursing Student Clinical Rotations
- X-Ray Technologist Training
- Health Information Technician Clinical Rotation in Medical Records

Subsidized Health Services **$1,396,774**

This category includes costs for billed and unbilled health services provided by external providers that are subsidized by SVRMC. The following activities were conducted in this area:

- On-Call Physician Funding*
- Staffing of EMS Stations*
- Emergency Department Physician Subsidy for Trauma Care
- Support to Physicians for Emergency Call Coverage
- Indigent Pharmacy*
- La Familia OBGYN*
- Medical Care for Residents in Custody*
- Mobile Health Care Unit*
- PMS Crisis Response*
- Project ANN (Vision & Dental)*
- Su Vida*
- La Familia Diabetes & Perinatal Care*
- Maternal Child Health Community Infant Project*
- Doula Program
- Santa Fe Care Connection*
- Skilled Nursing Beds*
- Physician Recruitment & Relocation

** Funded through MOA with Santa Fe County*

TOTAL QUANTIFIED COMMUNITY BENEFITS **$5,231,424**

OTHER COMMUNITY BENEFIT INFORMATION:

Unpaid Cost of Medicare Program Care **$8,478,030**

As a Sole Community Provider, SVRMC provides care to beneficiaries covered by the Medicare program. These patients comprise over 1/3 of the care provided by the hospital and at rates less than cost. This figure represents the costs of providing these services after deducting all reimbursements received from the program and payments received directly from patients.

ECONOMIC IMPACT:

Employment

St. Vincent is the largest private employer in Santa Fe County with approximately 1,600 employees. Payments of wages and salaries to employees generate an enormous additional infusion of funds into the local economy as a large portion is spent directly in the community. These funds, in turn, generate additional local spending by community businesses and stimulate local employment.

St. Vincent expended $79.7 million in gross salaries, wages, and benefits to its employees for the fiscal year ended June 30, 2005.

Local Vendors

St. Vincent positively impacts the local economy through a substantial amount of direct purchases from area vendors. In the fiscal year ended June 30, 2005 SVRMC made $26.1 million in purchases from New Mexico vendors.

Some Facts about St. Vincent

- 268 licensed beds
- 250 staff physicians representing 32 medical specialties
- Between 52,000 and 60,000 Emergency patients treated annually by board-certified emergency physicians
- More than 5,500 outpatient surgeries annually
- The major regional medical center for a 19,000 square-mile area
- Largest hospital facility north of Albuquerque, New Mexico and south of Pueblo, Colorado
- Classified as a Sole Community Provider by the Centers for Medicare and Medicaid Services ("CMS")
- Accredited by the Joint Commission on the Accreditation of Healthcare Organizations ("JCAHO")

POWELL GOLDSTEIN LLP

Atlanta ▪ Washington

RESIDENT IN WASHINGTON OFFICE
DIRECT DIAL: (202) 624-7215
CLUBAND@POGOLAW.COM

Date: June 6, 2006
MEMORANDUM

To: Alex Valdez, St. Vincent Hospital

From: Larry Gage
Charlie Luband

Re: Intergovernmental Transfers by St. Vincent Hospital

ST. VINCENT HOSPITAL CAN MAKE INTERGOVERNMEMNTAL TRANSFERS TO THE STATE TO FINANCE THE NON-FEDERAL SHARE OF MEDICAID SINCE IT IS A PUBLIC GOVERNMENTAL ENTITY

St. Vincent Hospital can be considered a public governmental entity for Medicaid purposes, and should therefore be permitted to transfer funds to the State or County to finance the non-federal share of Medicaid payment in accordance with federal law.

According to the federal Medicaid regulations, a public entity, including a state or other governmental provider, may transfer funds to comprise, in part or whole, the non-federal share of Medicaid payments.[1]

For a governmental health care provider to be a "public entity" and able to make a protected intergovernmental transfer (IGT), it must either have direct taxing authority or the ability to access tax revenues in the absence of a contractual arrangement with the state or local government.[2]

SVH has access to state or local tax revenues, and therefore it can be considered a governmental healthcare provider eligible to make a protected IGT.

- SVH is exempt from the New Mexico Constitutional prohibition on appropriations for charitable purposes since it is one of a number of enumerated hospitals to which appropriations were made legitimate by the legislature of 1909.[3]

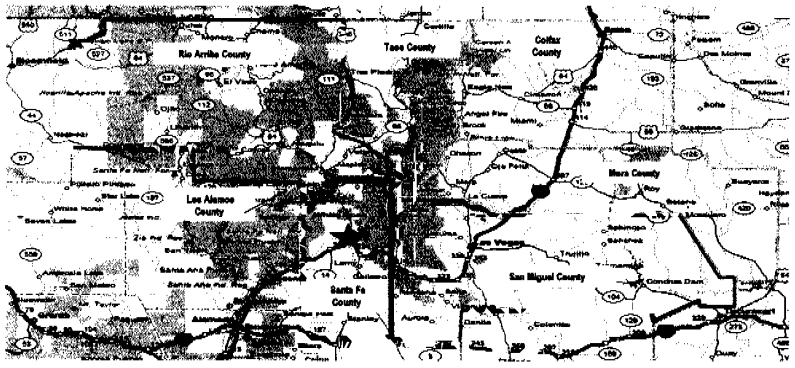
- The result of the exemption is that SVH has access to state tax revenues even in the absence of a contractual arrangement permitting such access.

[1] 42 C.F.R. §433.51.
[2] Letter from Mark McClellan, CMS Administrator, to Senator Charles Grassley, Chairman, Senate Finance Committee, April 28, 2004, at page 2.
[3] N.M. Const. Art. IV, §31.

ST. VINCENT REGIONAL MEDICAL CENTER

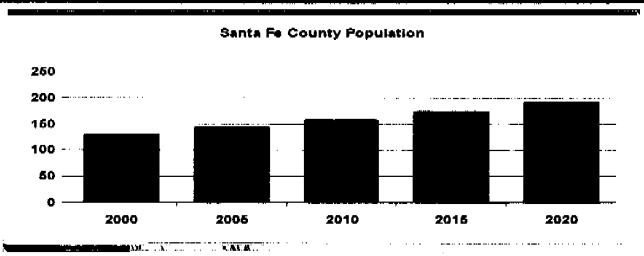
Strategic Plan
2005-2010

ST. VINCENT SERVICE AREA

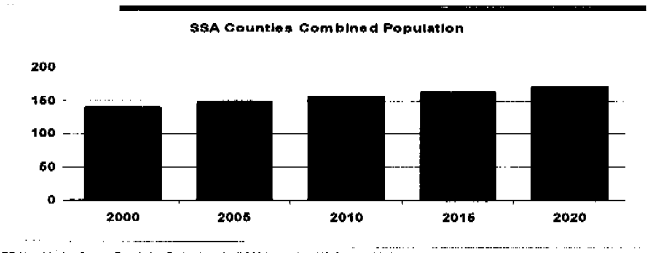


- Primary Service Area of SVRMC Santa Fe County
- Secondary Service Area: Rio Arriba and San Miguel, Colfax, Mora, Taos, Los Alamos Counties.
- Five other general acute-care facilities in service area. These facilities are located in Espanola, Las Vegas, Los Alamos, Raton and Taos.
- SVRMC is the most comprehensive provider in the service area.

SERVICE AREA POPULATION



- Santa Fe County's population to increase 10.1% in next five years.
- Secondary Service Area populations will go up 5.5%.
- Combined service area to grow about 1.6% per year.



Source: UNM BBER New Mexico County Population Projections April 2004 based on US Census 2000 and other factors

PLANNING INVOLVEMENT

Planning sources and stakeholders:

- Multiple stakeholder SWOT analyses and individual interviews:
  - **Employees, Management,Community, Physicians, Hospital & Foundation Board interviews, Government, Local Healthcare Partners, Regional Healthcare Partners**
- Industry research & knowledge
- Internally-generated data
- National best practices and related benchmarks
- Quantitative satisfaction research studies
  - Patient, employee, physician
- National, state and local health policy trends
- National, state and local socioeconomic trends

MISSION, VISION, & GOALS

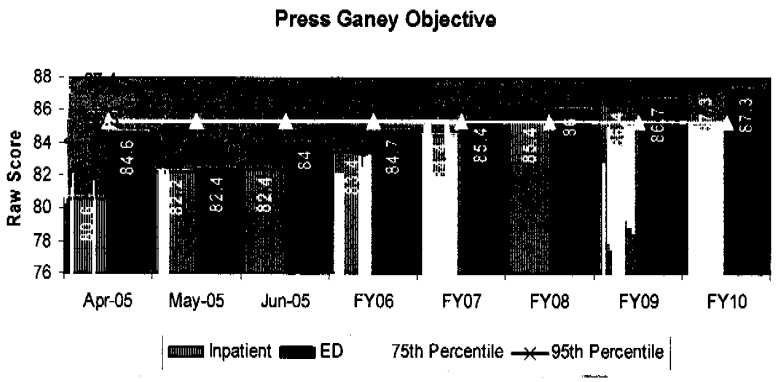
- Mission:
  - The Board reaffirmed our Mission to remain not-for-profit and to remain independently owned. Our mission statement becomes: ***We are a collaborative, community-based and non-profit medical center that improves lives by providing health care to communities across northern New Mexico.***
- Vision:
  - We believe the achievement of our goals will attain the vision of St. Vincent – ***To be the medical center of choice for patients and their families***.
- Goals: Last year, the organization developed six goals intended to change relatively infrequently.
  1. Create a Culture of Service
  2. Earn the Support of patients and the community
  3. Ensure Clinical Excellence
  4. Run the Organization well
  5. Develop Committed, Empowered Employees
  6. Build Positive Physician Relationships

5 YEAR STRATEGIES & OBJECTIVES

1. Create a Culture of Service

- St. Vincent will achieve a 95th percentile ranking in 2010 by continuing on the service journey already begun.

Press Ganey Service Level Requirements 2005 to 2010:



5 YEAR STRATEGIES & OBJECTIVES

2. Earn the support of patients and the community

A. St. Vincent Foundation will supplement operating income and other financing arrangements to fund the Hospital's Strategic Plan. Projected total: $12.7 million – this includes Fundraising, grant writing and government funding.

B. St. Vincent will surpass projections for attracting patients to key service areas.

- **Heart & Vascular Center: 1,614 total patient encounters per year by 2010.**
- **Cancer Center: 1,710 by 2010**
- **Emergency Department: 59,339 by 2010**
- **Surgery Services: 4,626 by 2010**
- **Spine Center: 260 by 2010**
- **Wound Care Center: 2,900 by 2010**

C. We will earn positive perception and satisfaction scores from residents of the rapidly growing southern part of the city of Santa Fe.

5 YEAR STRATEGIES & OBJECTIVES

3. Ensure Clinical Excellence

A. Improve level of care transitions and physician satisfaction, and decrease medical errors through an investment in informatics.

- 5-Year Requirements:

Electronic Medical Record, Electronic Health Record, Better utilized customer relationship management applications (for patient and physician), Continually review emerging technology, Computerized Physician Order Entry, Barcoding

B. Achieve top quartile in key clinical quality measures through continued focus on clinical performance improvement, measurement and reporting

C. Ensure statewide trauma system changes to make our program financially viable by taking lead role in system development.

D. Achieve Malcolm-Baldridge level quality through the application and follow-up suggestions offered by Quality NM.

5 YEAR STRATEGIES & OBJECTIVES

4. Run the organization well

A. Improve throughput and operations utilizing focused, aggressive project management and best practices.
B. Increase capacity by implementing the five year facilities plan in accordance with the strategic plan.
C. Achieve national benchmarks in productivity.
D. Manage the operation using a service line model through appropriate oversight, resources/support, leveraging of low debt, measurement and reporting.
E. Continually scan the horizon for new services and emerging technology.

5 YEAR STRATEGIES & OBJECTIVES

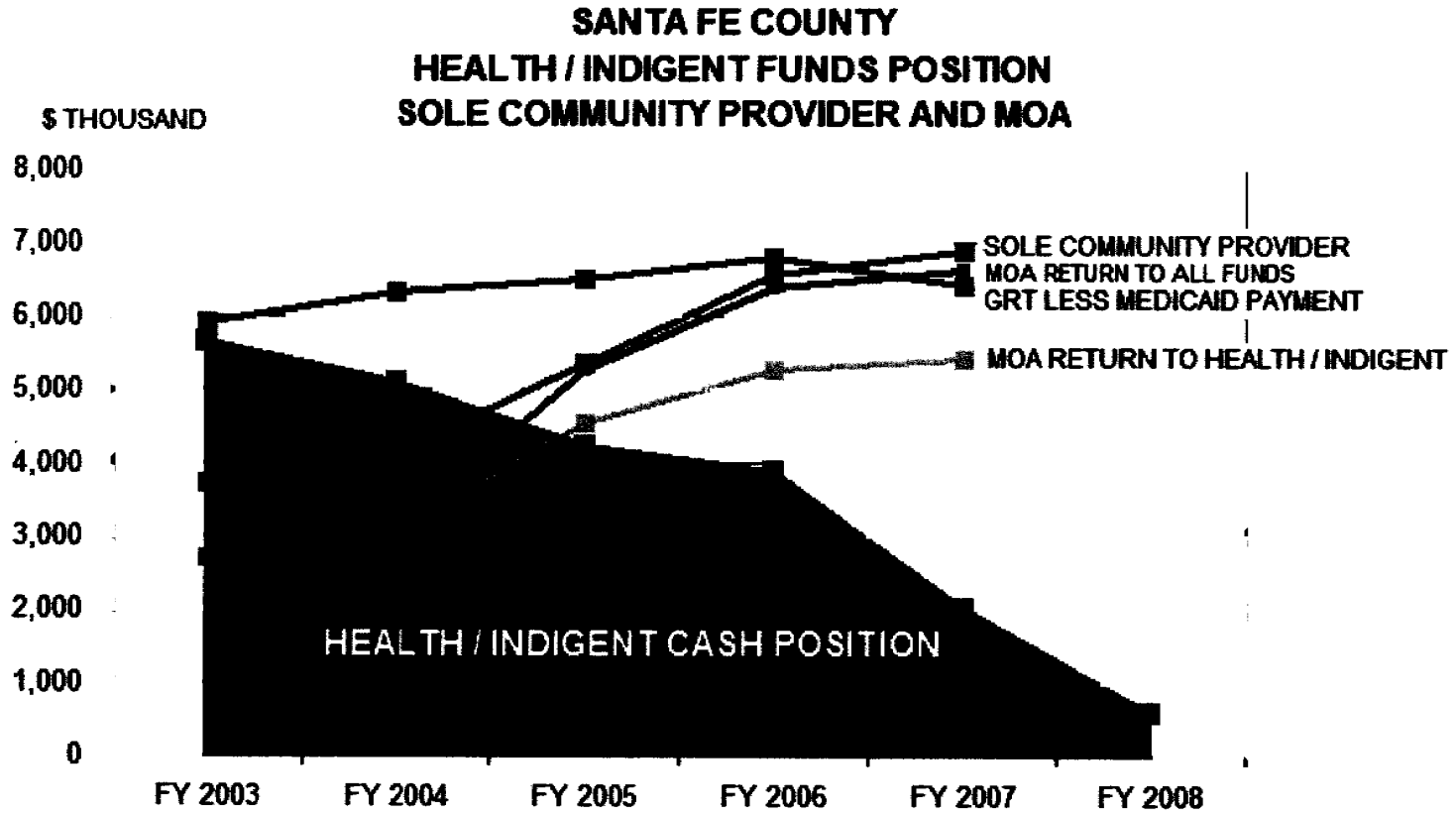
5. Develop Committed, Empowered Employees

A. Ensure labor force supports organization goals and objectives through employee-led delivery system change.
B. Hire highly qualified employees from a waiting list of applicants.
C. Educate employees based on individual competency assessments using regionally available education.

5 YEAR STRATEGIES & OBJECTIVES

6. Develop Positive Physician Relationships

A. Develop joint ventures and other business relationships with physicians to strengthen our common destiny.
B. Increase physician integration and satisfaction with information systems and technology.
C. Grow the physician practices as needed.
D. Establish a self-sustaining Management Services Organization which will enhance physician loyalty.
E. Secure state/federal economic support for ED call.



STATUS QUO

[redacted]

$1 County Indigent Fund

[redacted]

▼

[redacted]

$3 Federal Sole Community Provider Match

[redacted]

▼

[redacted]

$4 for Hospital Patients

[redacted]

NEW VISION

[redacted]

$1 Hospital Funds

[redacted]

▼

[redacted]

$3 Federal Sole Community Provider Match

[redacted]

▼

[redacted]

$4 for Hospital Patients

[redacted]

[redacted]

$1 County Indigent Fund

[redacted]

▼

[redacted]

$3 Federal Match For State Coverage Initiative

[redacted]

▼

[redacted]

$4 for County Resident Insurance

[redacted]

$3 Federal for Community

$6 Federal for Community + More Insured Residents = Happy Constituents

Application Template for Health Insurance Flexibility and Accountability (HIFA) §1115 Demonstration Proposal

The State of New Mexico Department of Human Services proposes a section 1115 demonstration entitled New Mexico State Coverage Initiative (New Mexico SCI), which will increase the number of individuals with health insurance coverage.

I. General Description of Program

New Mexico SCI, which is scheduled to begin February 2003, will provide health insurance coverage to up to an additional 40,000 residents of the State of New Mexico with incomes at or below 200 percent of the Federal poverty level. The increased coverage will be funded by employer, employee, and individual premium sharing, state, local, and federal funds.

New Mexico proposes two funding mechanisms for its waiver. At the conclusion of the demonstration period, New Mexico will be using unspent SCHIP funds to cover approximately 11,000 single or childless uninsured adults and will be covering approximately 29,000 parents through regular Medicaid matching funds. In the first year of the waiver, the state will fund 7,500 single or childless uninsured adults and 7,500 parents from SCHIP funds. The proposal is SCHIP allotment neutral and budget neutral.

In addition to this waiver proposal, New Mexico may subsequently propose to reallocate resources for the existing Medicaid program in New Mexico to shift from Medicaid benefits to the SCI benefit package for certain Medicaid enrollees. Any subsequent submission of amendments to this waiver will be based on recommendations from an interim Medicaid Reform Committee established by SB 379 of the 2002 Legislature and signed by the Governor. New Mexico is also continuing to develop alternative strategies for part-time, intermittent, temporary, and seasonal workers, the unemployed, retirees under age 65, and selfemployed individuals.

Benefits

The benefits under NM SCI are structured to be similar to basic commercial benefit packages in New Mexico and the project is structured to meet the needs of the target population. A standardized benefit package will be established by the state and managed care organizations will be allowed to respond to an RFP to provide that benefit package. The benefit package was structured based on results of focus group meetings, experience with a managed care program for the uninsured at the University of New Mexico Health Sciences Center, and extensive discussions of a Design Work Group.

Benefit Cost

New Mexico contracted with the Lewin Group to do preliminary actuarial analysis. Various design changes were made after that preliminary work and subsequent actuarial work was done by the actuary staff of three managed care organizations in New Mexico. This subsequent actuarial work resulted in a target average per member per month total cost of $210, based on the demographics of the target population which were determined through a household survey by the New Mexico Health Policy Commission.

Target Markets and Enrollment

The waiver is targeted to adults up to 200 percent FPL, particularly employed adults. The plan will be marketed to employers and employees directly by the MCOs which may also utilize enrollment brokers. These MCOs already have established relationships with employers through their commercial product lines. MCOs will be required to inform eligible individuals of the availability of the SCI program.

Various outreach and media strategies are being designed for employers, employees, as well as non-employed individuals to ensure that all eligible New Mexicans will be aware of the availability of the product.

Marketing will be especially targeted to employers not currently offering insurance as well as to employers who offer insurance but whose employees cannot afford the required premium sharing. In addition, the program will be targeted to parents of Medicaid and SCHIP children through innovative data matches with Medicaid and SCHIP databases as well as income tax databases.

Non-employed individuals will also be eligible for the program, but will be required to pay the equivalent of the "employer" and "employee" premium sharing. No medical underwriting is proposed for the program.

Standardized Benefits and Plans

Benefits, premium sharing, and copayments will be the same, regardless of the MCO that the individual selects; competition will be based on service and delivery systems. While a defined contribution concept was considered, the standardized benefit package approach was selected for several reasons and was based on feedback from various focus groups as well as experiences of other states with traditional ESI approaches and will result in:

- *Administrative simplicity for employers*
- *Administrative simplicity for the state*
- *Assurance of a benchmark benefit package to meet needs of the target population*
- *Potential for a significant new market for coverage*
- *Increased ability to track take-up and effect on commercial market*
- *MCOs may choose to develop a non-subsidized SCI product that they can market to employers–this would help expand the overall coverage in the market.*

Allotment Neutrality and Budget Neutrality

The enrollment for single/childless adults will be capped based on availability of SCHIP funds and will be allotment neutral. Any remaining unused SCHIP allotment will be used to fund the expansion of parents until the SCHIP funding is exhausted at which time parents will be covered under Title XIX. The SCHIP calculations submitted with this waiver are based on the scheduled loss of 1998, 1999, and 2000 SCHIP funds and the anticipated loss of a portion of the 2001 SCHIP funds. If there is congressional action to extend availability of these funds for New Mexico or to redistribute unused funds, the state would utilize all additional available SCHIP funds for the SCI coverage expansion for parents between 37% and 200% of FPL.

To the extent SCHIP allotment is not available, the parent population under 200 percent of the federal poverty level will be covered under Title XIX. Since this population could be covered under a state plan with a more extensive benefit package and without the employer and participant premium contributions, a budget neutrality demonstration is not required during the waiver period. Nevertheless, New Mexico has provided selected historical data required in the template. (See attached worksheet.)

Schedule

The waiver is scheduled for implementation in February 2003. If the Medicaid Reform Committee recommends changes in the existing Medicaid program that could result in expansion of this waiver to additional populations, an amendment to this waiver proposal will be submitted at that time.

The SCI Process

New Mexico convened a broad-based coalition of providers, advocates, business groups, local governments, and state agencies approximately three years ago to work on the issue of the uninsured adult population, increase awareness of the problem with the business community, and to build consensus on solutions. That coalition expanded and developed over the next two years and resulted in application to the Robert Wood Johnson Foundation for a State Coverage Initiatives planning grant which was awarded in April 2001. Through the planning grant, the strategy reflected in this Phase I application was developed.

The process of developing the strategy was broad-based and inclusive. A Steering Committee was formed comprised of providers, advocates, MCOs, business groups, state agencies, and other stakeholders. Membership on the Steering Committee was extended to any interested person and there are over 50 individuals and groups represented on it. In addition, five work groups were established, each comprised of a cross-section of individuals, in the following areas:

? *Design*
? *Operations*
? *Finance*
? *Marketing/Outreach*

? *Safety Net*

These work groups have been meeting since June 2001 and are ongoing. The recommendations of the Work Groups formed the basis of the development of this waiver application.

Also during the period of June 2001-November 2001, the SCI team appeared at least monthly before the Legislative Health Subcommittee, an interim study committee of the legislature. This provided significant opportunity for legislative and public input. In addition to these public meetings, SCI conducted a series of regional focus groups with New Mexico businesses and a consumer focus group. Input from these focus groups was extremely useful in designing the features of this waiver.

The Robert Wood Johnson Foundation awarded New Mexico a SCI implementation grant in October 2002 that will provide additional resources to the state over the next three years to implement this SCI plan. New Mexico has been nationally recognized by SCI for its innovative approach to an employer-based system.

The SCI Steering Committee and Work Groups continue to meet regularly to develop implementation details. The Operations Work Group is developing the required public input process required of HSD programs. The Marketing/Outreach Work Group will develop a plan for educating and informing employers, employees, and the general public about the program.

Crowd Out Features

The waiver has a number of crowd out features:

? ***Individuals will not be eligible for SCI coverage unless they have been without insurance for at least 6 months.***
? ***Direct marketing by MCOs will provide an incentive for MCOs to first market their commercial plans then market SCI as a supplemental plan for low income employees that do not "take-up" the commercial plans.***
? ***The basic benefit design was carefully crafted to be somewhat less than most commercial plans so that employers currently providing coverage would not tend to shift to SCI coverage.***

II. Definitions

Income: In the context of the HIFA demonstration, income limits for coverage expansions are expressed in terms of gross income, excluding sources of income that cannot be counted pursuant to other statutes (such as Agent Orange payments.)

Mandatory Populations: Refers to those eligibility groups that a State must cover in its Medicaid State Plan, as specified in Section 1902(a)(10) and described at 42 CFR Part 435,