



# Health Industry Economic Outlook

2016 Economic Outlook & Revenue Assessment Committee

January 8<sup>th</sup>, 2016

Presentation by  
**Jon Ness, Chief Executive Officer**



**Kootenai**Health

# Presentation Topics

1. National Healthcare Trends
2. Healthcare Outlook in Idaho
3. North Idaho Healthcare Environment
4. Background About Kootenai Health
5. Questions

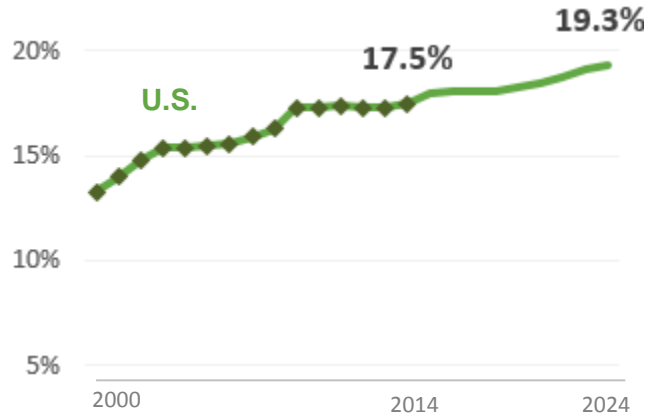
# National Trends

## Healthcare Spending Trend

 **17.5%**  
of U.S. GDP

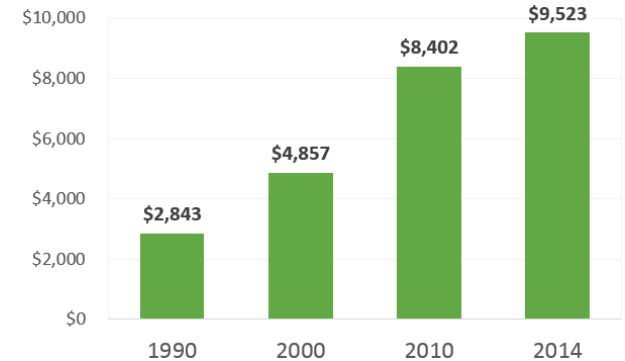
 **\$9,523**  
per Capita

### Health Spending as % of GDP




1A: CMS.gov - National Health Expenditure Accounts

### Health Spending per Capita



1B: CMS.gov - National Health Expenditure Accounts

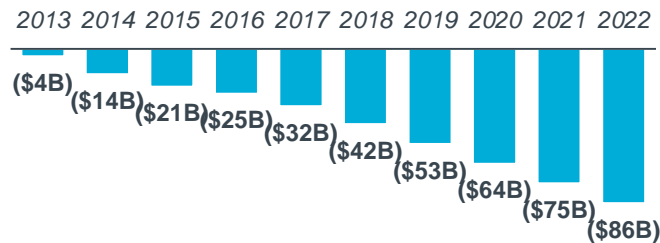
## Bending the Cost Curve

 **\$415B**  
in Medicare  
payment cuts  
2013-2022

 **1.5%**  
price increase is  
lowest in a decade

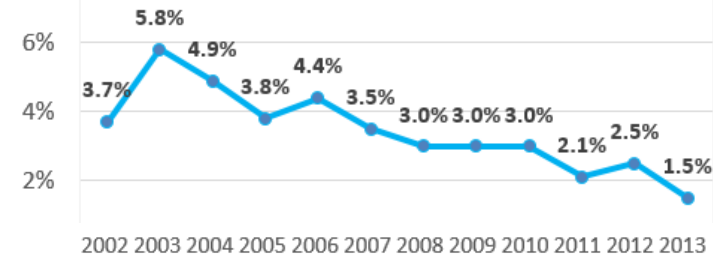
### Medicare Payment Cuts

*Includes hospital, skilled nursing, hospice, home health*



2: The Advisory Board Company

### Annual % Change in Hospital Prices

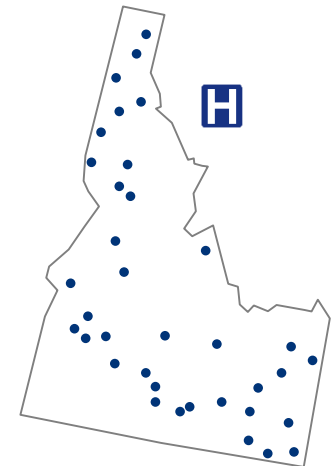


3: Health Affairs (2014)

# Healthcare in Idaho vs U.S. Benchmarks

## Idaho Compared to U.S.

Metric	Idaho	U.S.
Health Spending % Idaho GDP, 2014 <sup>1</sup>	6.9% (\$4.3B)	17.5% (\$3.0T)
Hospital Expense per Capita, 2013 <sup>2</sup>	\$2,201	\$2,473
ED Visits per 1,000, 2013 <sup>2</sup>	366	423
Inpatient Admissions per 1,000, 2013 <sup>2</sup>	78	106
Active Physicians per 100,000, 2013 <sup>3</sup>	184	260



1: U.S. Dept of Commerce – Bureau of Economic Analysis  
 2: AHA Hospital Statistics 2015 Edition  
 3: Association of American Medical Colleges

## Idaho ranked 17th in U.S. for overall health status

### High Performing Health Indicators

- Preventable Hospitalizations (4<sup>th</sup> Nationally)
- Diabetes (4<sup>th</sup> Nationally)
- Physical Inactivity (5<sup>th</sup> Nationally)
- Smoking (12<sup>th</sup> Nationally)

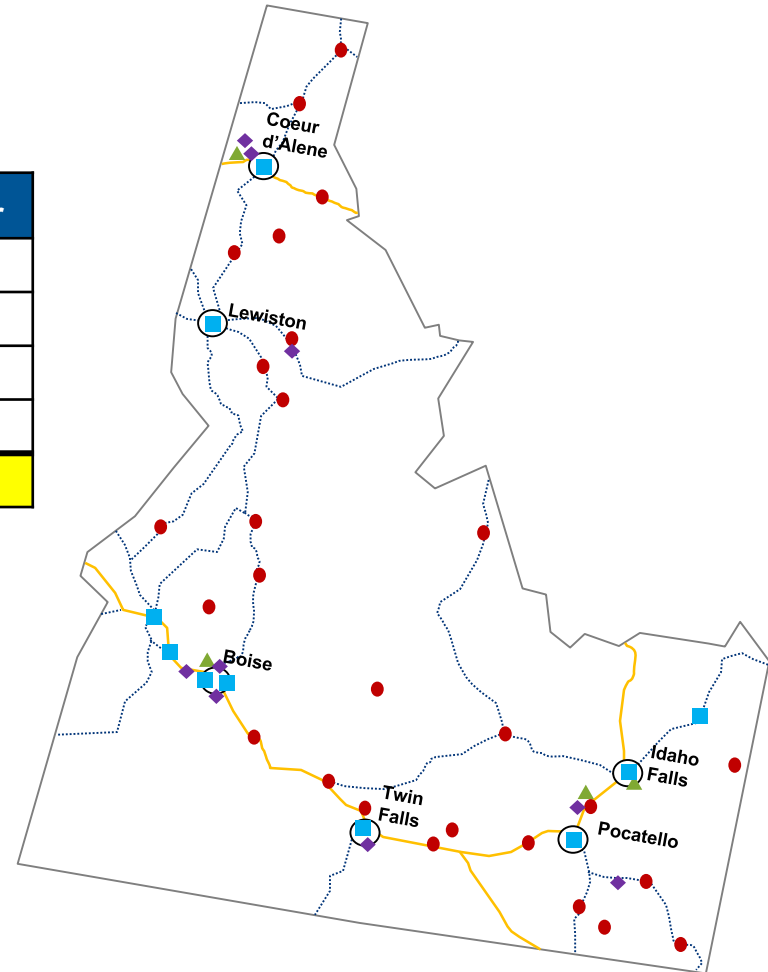
### Needs Improvement Health Indicators

- Obesity (22<sup>nd</sup> Nationally)
- Suicides (44<sup>th</sup> Nationally)
- Child Immunization (45<sup>th</sup> Nationally)
- Primary Care Physicians (50<sup>th</sup> Nationally)

4: America's Health Rankings – United Health Foundation  
 5: Centers for Disease Control

# Hospitals in Idaho

Hospital Impact	Icon	Total Number
Critical Access Hospitals	●	27
Large Urban Hospitals	■	10
Physician Owned Hospitals	▲	4
Other (VA, LTAC, Rehab, Psych)	◆	11
<b>Total Hospitals in Idaho<sup>1</sup></b>		<b>52</b>



1: Idaho Dept of Health & Welfare

# Healthcare Outlook

## Stable National Outlook, but healthcare is in transition

1. Moody's & S&P raising outlook for 2016<sup>3</sup>
  - Raised from Negative to Stable outlook for non-profit healthcare environment
  - Operational strength, improving access, reduction of bad debt and uncompensated care post ACA
2. Rising health needs of aging population
  - Population growth in Medicare sector outpacing total 2010-2014: Overall = **4.1%**, 65+ y/o = **19%**
3. Increasing population with health insurance
  - Uninsured rate dropped from 15% in 2013 to 11% in 2014<sup>2</sup>

## Idaho Hospitals – Modest Growth

Hospital Impact	2014 Total	Change From Prior Year
<b>Total Economic Impact - Sales</b>	\$8.0B	<b>4.2%</b> increase
<b>Total Economic Impact – Jobs*</b>	73,626	<b>1.9%</b> increase
<b>Total Economic Impact - Taxes</b>	\$169M	<b>4.3%</b> increase
<b>Total New Hospital Jobs</b>	374	<b>1.4%</b> increase

Source: 2015 Report on the Local and Statewide Economic Impacts of Idaho's Community Hospitals

1: U.S. Census Bureau (2010-2014)  
 2: Kaiser Family Foundation (2014)  
 3: Becker's Hospital Review (2015)

# Idaho Hospital Challenges

1. Centers for Medicare & Medicaid Services reporting mandates require expensive technology investments
  - Federal Information Technology (IT) requirements
  - St. Luke's spent \$200M transitioning to Epic electronic health record in 2013<sup>1</sup>
  - Kootenai Health considering \$50M electronic medical record transition
2. Costly infrastructure required to better manage full continuum of care
  - Kootenai Care Network, St. Luke's Clinic Coordinated Care, St. Alphonsus Health Alliance Integrated Care
  - Care management, quality data capture and reporting, physician buy-in and involvement
3. Chronic Idaho Physician Shortage
  - 50<sup>th</sup> nationally in primary care physicians per capita<sup>2</sup>
4. Reduced Reimbursement
  - Payers withholding more reimbursement as incentive/risk
  - Focused on patient experience, quality outcomes, reduced costs
5. Consolidation is a common response

1: Becker's Hospital Review (2013)  
2: Idaho Dept of Labor (2012-2013)

# Regional Hospital Consolidation

## Driving Consolidation in Healthcare

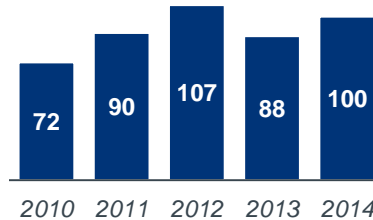


**100**  
mergers & acquisitions<sup>1</sup>



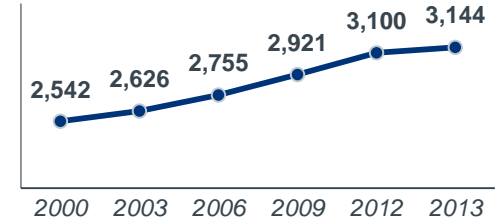
**63%**  
of all hospitals  
in a systems<sup>3</sup>

### Hospital Mergers & Acquisitions



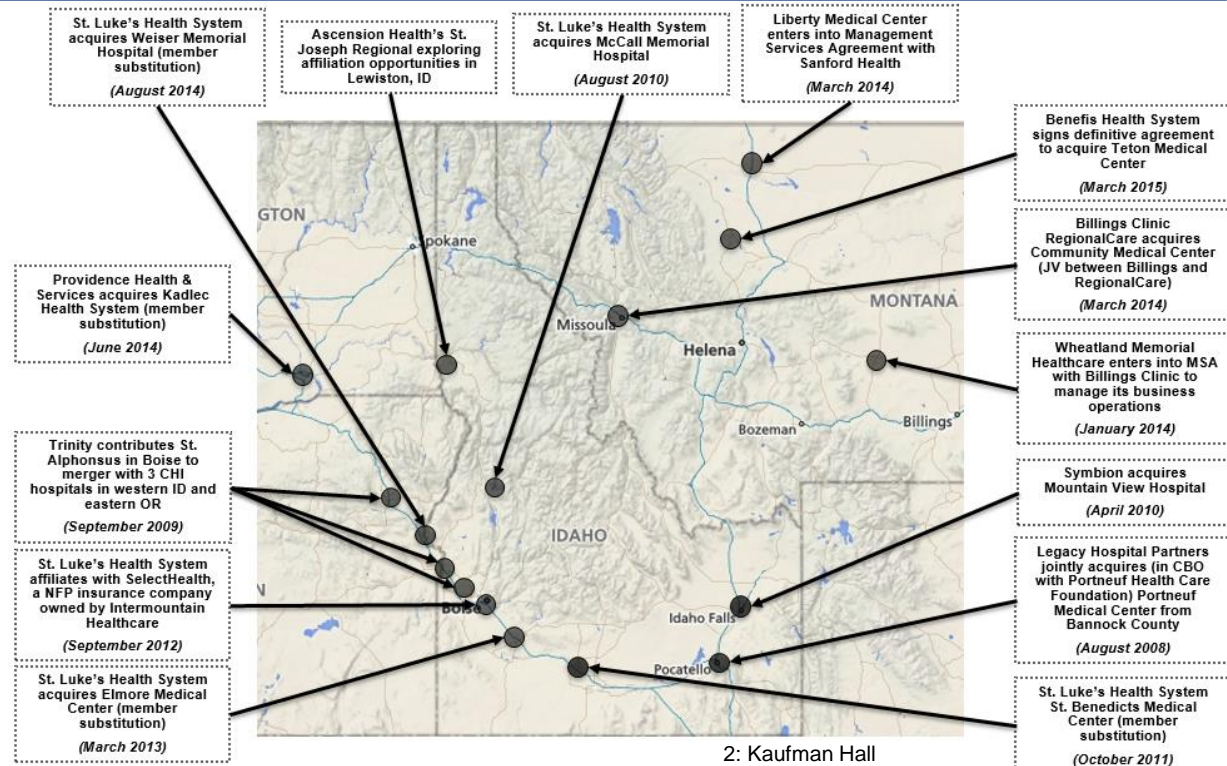
1: The Advisory Board Company

### Hospitals in a Health System



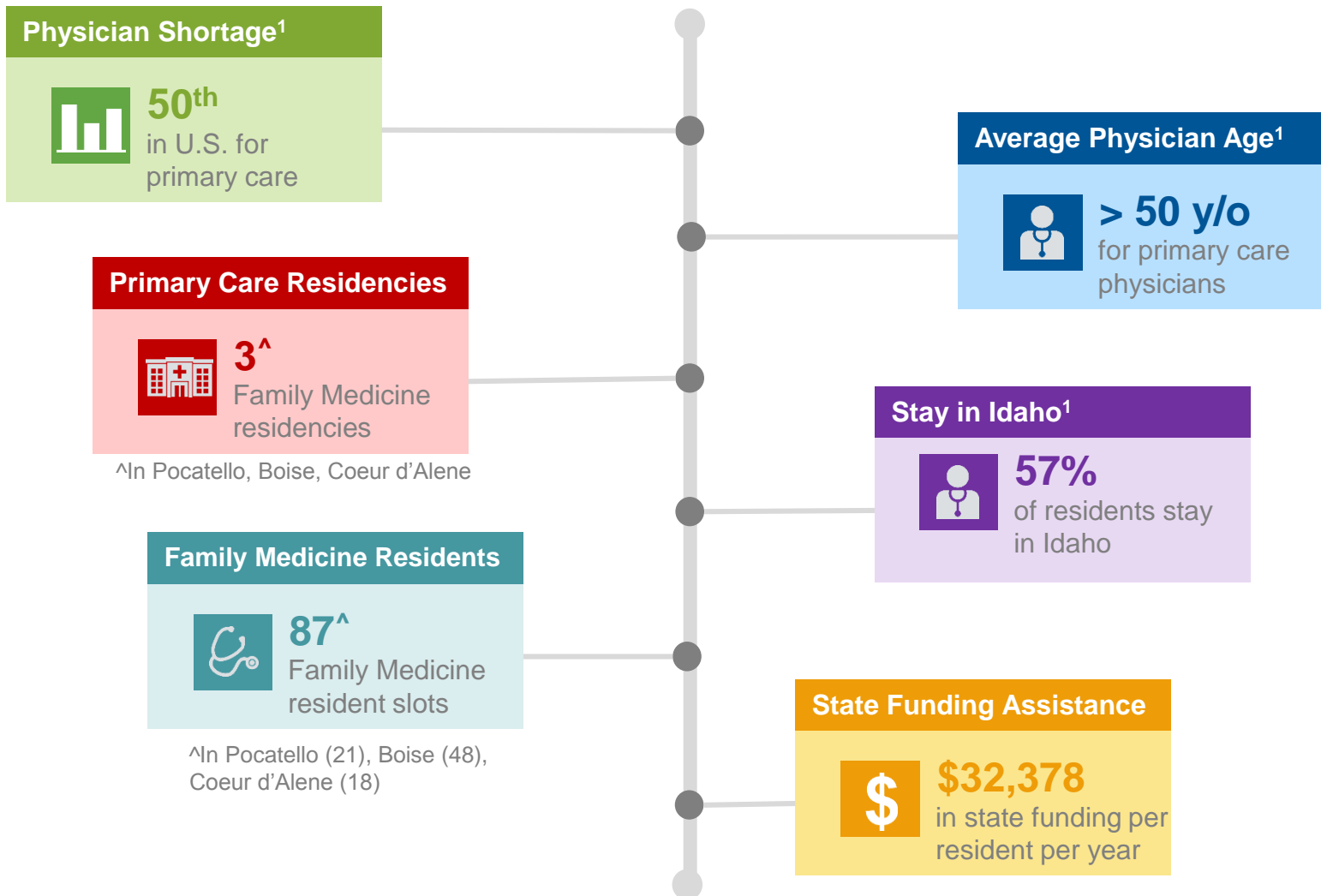
3: AHA Trendwatch Chartbook (2015)

There were 14 mergers, acquisitions, or affiliations around Idaho since 2008<sup>2</sup>





# Physician Shortage in Idaho

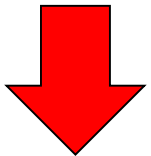


1: Idaho Dept of Labor (2012-2013)

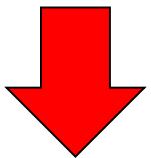
# Global Trend Summary



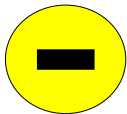
Increasing Patient Volumes  
(mostly in larger hospitals)



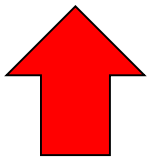
Medicare Reimbursement



Disproportionate Share Hospital Cuts



No Medicaid Expansion



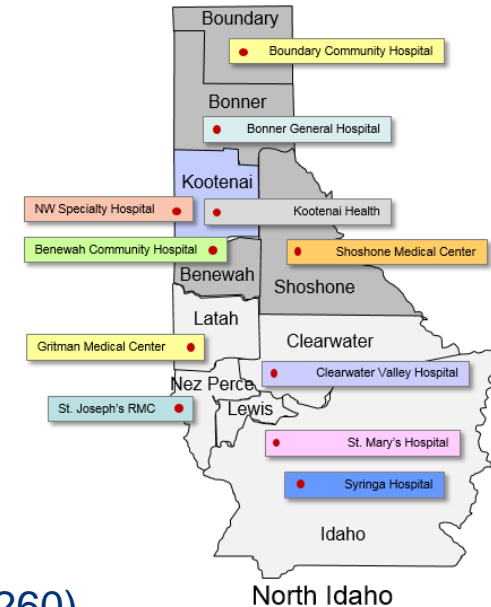
More Patients on High Deductible Plans

1: Idaho Workgroup on Medicaid Expansion –  
Governor's Report & Recommendations (2012)

# North Idaho - Background

## Northern 10 Idaho Counties

1. Total population of 325,000 residents<sup>1</sup>
  - Nearly half reside in Kootenai County
2. Eleven hospitals
  - 5 County/District, 5 private non-profit, 1 private for-profit
  - 8 designated as critical access hospitals
3. Barriers to access & physician shortage<sup>2</sup>
  - Only 111 physicians per 100,000 residents (U.S. Avg = 260)
4. Outmigration to WA for healthcare services significant
  - \$300M gross charges for North Idaho residents discharged from WA hospitals in 2014 mostly because we lack physicians<sup>3</sup>
5. Mental Health needs are rising
  - Suicide rate in North Idaho is 20 per 100,000 (Healthy People 2020 goal of 10.2)<sup>2</sup>



1: U.S. Census Bureau (2014)

2: Panhandle Health Community Needs Assessment (2013)

3: WA DOH CHARS Dataset (2014)

# Kootenai Health - Background



## Background

- District Hospital - Elected Board
- No use of taxing authority since 1995
- 271 inpatient beds (3/16)
- 2,700+ employees
- 110+ employed physicians
- 400+ physicians on medical staff

## Service Offering

- Women's & Children's Services
- Cardiovascular Services
- Orthopedics & Neurosurgery
- Behavioral Health
- Oncology Services
- Level III Trauma Center

## Affiliations

- Mayo Clinic Care Network
- Northwest Hospital Alliance
- InnerPacific Alliance for Cancer Care
- Idaho Health Partners
- Hospice of North Idaho Partnership

## Awards



# Mayo Clinic Care Network



> Kootenai Health is 1 of 36 distinguished members<sup>1</sup>

> Kootenai Health is the only network member in the northwest



1: MayoClinic.org

# Keeping Idaho Patients in Idaho

## 3 Key Strategies to Keep Idaho Patients in Idaho

1. Focus on access and availability of Primary Care Physicians
  - Family Medicine Residency Program established in 2014
2. Develop regional partnerships and affiliations
3. Add physician specialty services
  - Growth from under 20 employed physicians in 2012 to over 110 in 2015

## Related Kootenai Health Activity

2012

- Heart Clinics Northwest joins Kootenai Health
- Insourced I.T. to support regional strategy
- Boundary Community Hospital affiliation

2013

- Partnership w/ Ernest Health for acute rehab
- Shoshone Medical Center and Benewah Community Hospital affiliations

2014

- Master Facility Plan & Expansion
- Mayo Clinic Care Network
- Family Medicine Residency Program
- ACS Level III Trauma Designation

2015

- Inner Pacific Alliance for Cancer Care
- Established Kootenai Care Network
- Hospice of North Idaho Affiliation
- Preparing to open a Level III NICU
- Opened Crisis Center



**KootenaiHealth**

# Questions