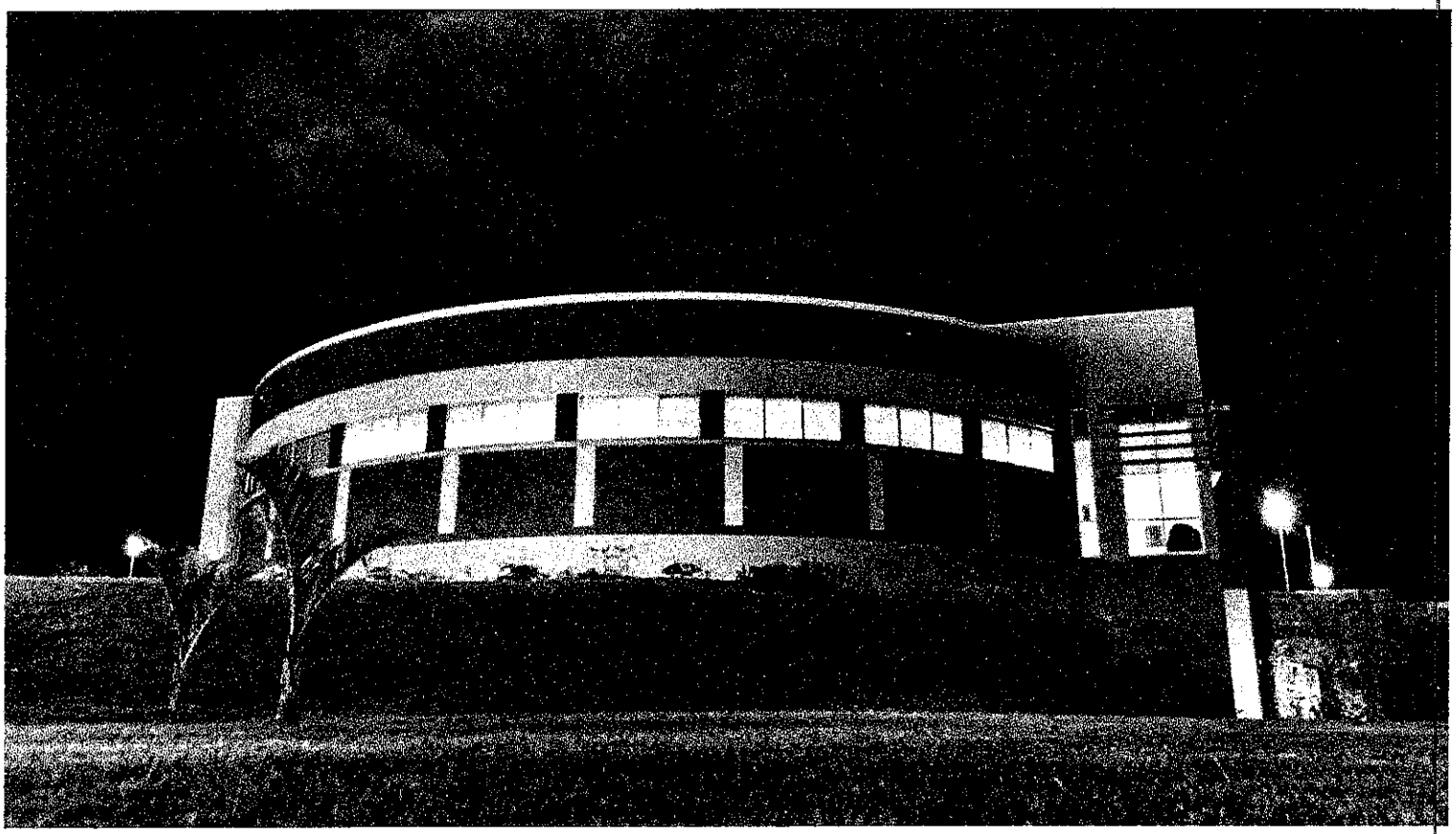
Bermuda Hospitals Board

Strategic Assessment Business Case: Lamb Foggo Urgent Care Centre

August 2013



ABSTRACT: Bermuda Hospitals Board has provided urgent care services to patients since 2009. Because of the expenses linked to its current staffing configuration and the relatively low patient volume, the UCC continues to be financially unsustainable year after year. This business case explores several options for BHB to consider as it seeks to deliver quality patient care in the most cost effective environment possible.

EXECUTIVE SUMMARY

The Lamb Foggo Urgent Care Centre ("UCC") opened its doors for service in 2009. The strategic intent of the UCC was to operate in the East End to improve access to care for patients requiring urgent care, shifting non-emergent cases from the emergency department to a lower cost environment for care. However, instead of creating a lower cost environment to manage non-emergent care, BHB has replicated an emergency room complete with emergency room physicians, registered nurses and technicians. Because of the high costs of operating the UCC to treat a relatively small volume of patients (averaging 14 per day, 5,000 per annum), the UCC has perennially posted financial losses.

In 2012/2013, the UCC received 5,600 patient visits, and the cost for each visit has been calculated at $422. This volume of patient visits generated $2.4 million, however, because of high salary and benefit costs, the net income may be as small as $100,000 and in reality BHB is very likely making another net loss. Previous fiscal years have posted losses ranging from $100,000 to $350,000, and now that the UCC's diagnostic services have been wound down, 2013/2014 revenue is expected to contract further.

Provision of urgent care services in a high cost environment for so few patients is not sustainable.. This business case contemplates three key options:

1) No Action
2) Develop Alternative Funding Model With Government
3) Wind Down UCC [Preferred]
    a. Decant and Decommission Facility
    b. Reserve UCC for Storm Coverage [Contingency]
    c. Seek Private Partner to Operate [Preferred Sub-Option]

Although the UCC has definite strategic value for access to care of Bermudians residing in the East End, the service is not mandated or core service, so it cannot be financially supported by BHB when consistently operating at a loss. As a result, the option of taking no action is discounted.

BHB's 2007 business case for the UCC acknowledged the cost of providing care would indeed be expensive, and proposed a grant from Government be secured to make the continued operation of the UCC financially viable. This grant did not come to fruition, and, instead, BHB has operated the UCC at a loss for several years. Given the current economic climate, and Government's withdrawal of funding for Continuing Care, the prospect of a new grant to keep the UCC's doors open appears highly unlikely.

The recommended option is to wind down the UCC, however, there are several sub-options that must also be considered. Instead of a full decommissioning and decanting, BHB could maintain the clinical capacity of the facility, reserving it for use during severe storm events or other disasters that compromise the causeway. The BHB has a 30 year lease on the 2 acre property from the Bermuda Land Development Commission for $1 per year. The ongoing expense of "moth-balling" the facility would be limited to maintaining the physical integrity of the building and the grounds.

In the preferred sub-option, through a public tendering process, BHB would identify a medical provider to operate the urgent care service alongside other complementary services. The result of this option would be maintaining access to urgent care service while freeing BHB from the financial liability of operating a non-mandated, non-core service at a loss. An external provider stands a better chance of operating the facility in the black since their staff would not be bound by BHB's collective bargaining agreements or revenue caps. BHB shifts from being a direct provider of services to a property management relationship with the successful bidder. If a successful bidder is not identified, BHB could proceed with its contingency plan to moth-ball the facility reserving it for critical access during causeway closures.

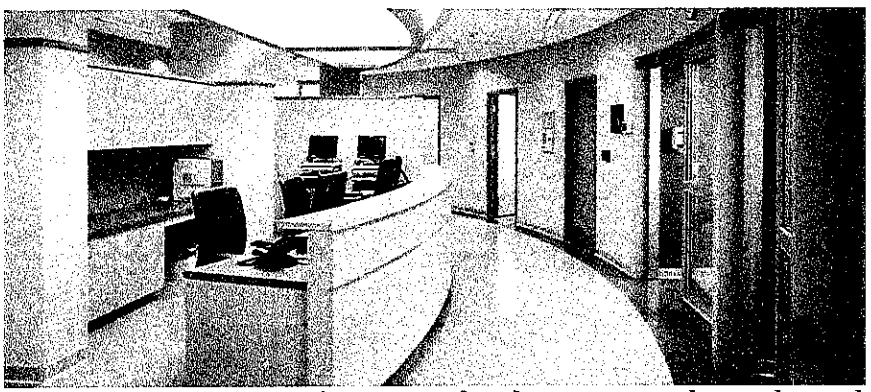
BACKGROUND INFORMATION

Strategically positioned in the east end of Bermuda, where a US Naval Air Station once stood, the Lamb Foggo Urgent Care Centre ("UCC") sits on a hill overlooking St. George's Harbour to the north and northwest. The UCC was built in response—at least in part—to the broad recommendations made by the Oughton Report (1996) to reduce "overutilization of KEMH's Emergency Department" in order to control rising healthcare costs. This was again reinforced by the Arthur Anderson Report (2000), which suggested shifting patients from the emergency department to less expensive services for non-urgent care needs.

The original intent of the UCC—as it was conceived in BHB's original 2007 business case—was the integration of emergent care system for Bermuda through the alleviation of demand for KEMH's Emergency Department ("ED"). For many who would otherwise go to the ED it was thought that the wait at UCC would be shorter, and highly convenient for patients living in the Eastern parishes. The UCC was intended also to fill the gap as a mid-level provider between the ED and the Island's general practice ("GP") physicians.

On 1 April 2009, the UCC opened its doors, originally offering diagnostic testing as well as urgent care services. In its first year, patient visit volumes were higher than expected, hitting 4,500 patient visits. And while it was opened primarily as a medical service, the importance of the UCC to the local community has been felt most during storms and hurricanes when the causeway has been closed to vehicle traffic[1].

CURRENT POSITION



In fiscal 2013, the UCC received 5,600 patient visits, and over the last four years, has averaged 14 visits per day. The cost to operate UCC was $2.3 million against total revenue of $2.4 million. Although in previous years the UCC has posted significant losses, in 2012/2013 there is a slim net income of $100k. This figure may be eroded by other costs that have not yet been charged against the cost centres that are involved in UCC's operations (e.g. management resources, trucking/transportation, water management, etc.). In the increasingly austere economic forecast that BHB finds itself, it is increasingly difficult to justify the continued operation of UCC to support relatively few patient visits per day.

PROPOSED SERVICE, CHANGE, OR CAPITAL DEVELOPMENT

This business case considers whether the UCC should continue in its current state of operations, wind down the service, or consider other means to utilize the clinical capacity of the facility.

---

[1] This is a national decision and has actually been closed X in the last 10 years. The decision to close the causeway typically is made by Works & Engineering based on weather conditions and is communicated by the Emergency Measures Organization. In the other Caribbean jurisdictions that also have causeways, the Islands have emergency disaster centers which are on a grant given to them from Government central funds, and are maintained by local churches.

MARKET ASSESSMENT

The basic assumptions that were made in the 2007 business case to develop the UCC were that few—if any—primary care providers were located in the Eastern Parishes, and all closed by 5pm. (Of the 77 physicians advertising in the Yellow Pages, none advertised are located east of Devonshire, which most likely speaks to the market strategy for private practice physicians to operate close to either a hospital or to a city centre to attract the highest volume of patient visits.) The UCC was intended to bridge this gap in access to care for many residents who would not attend their GP and instead visit KEMH's ED.

Outside of the UCC the only other source of medical care in the East End is through a Government clinic which operates in St. George's. The Ministry of Health & Seniors operates a dental clinic 3 days per week, a maternal clinic 2 hours per week, and a senior clinic 2 hours per month. It appears in spite of the apparent value for the community, neither Government nor private practice physicians have amassed a patient base significant enough to justify broader access to primary care services.

PERFORMANCE & ACTIVITY

The volumes of patient visits have remained remarkably consistent since opening in 2009, ranging from 4,500 in 2009 to 5,600 per annum in 2013. The UCC presently sees an average of 14 visits per day during its established hours of 4pm to 12am, with ranges from 8 to 22. BHB does not track the home location of patients to UCC, making it more complicated to determine whether UCC is predominately serving patients from Eastern parishes, or from a broad representation of parishes in Bermuda.

BHB's 2007 business case for the UCC predicted 5,300 visits per year, which is not far from the actual volumes recorded over the last 4 fiscal years.

FINANCIAL ANALYSIS

In terms of volumes and anticipated revenue, the UCC is performing almost exactly as it was predicted in BHB's 2007 business case. Although the original business case predicted the cost per patient visit would be $493, the actual cost per patient visit in 2012/2013 was $422, which is nearly double the cost of a primary care visit in Bermuda.

Instead of creating a lower cost environment to manage non-emergent care, BHB has replicated an emergency room complete with emergency room physicians, registered nurses and technicians. (In other jurisdictions, urgent care services are frequently operated by primary care physicians or mid-level practitioners (Nurse Practitioners or Physician Assistants), medical assistants instead of registered nurses. Operating urgent care centres becomes financially feasible because mid-level practitioners and medical assistants typically reduce the staffing cost by 50%.)

The exorbitant cost of providing this service was recognized in 2007, and a grant from Government was contemplated although was not implemented.

Unfortunately, in recent years, the cost of providing services at the UCC has not been fully understood, and some even suggested the UCC produced a net income of $1+ million per annum[2]. Upon closer scrutiny, by gathering a more complete picture of UCC 's finances, it is revealed that UCC has never operated at more than a $100k net income. In fact, the UCC has averaged net losses of $250k per year! Even the $100k surplus in 2012/2013 may vanish when all the costs of operating the facility are finally tracked. The following spreadsheet shows the financial position for the UCC for the last four fiscal years.

[2] It is worth noting that in the exercise of preparing this business case, determining the exact financial position of the UCC was not straightforward with clinical and non-clinical leaders alike doubting the accuracy of profit and loss statements routinely printed through EPSi. In fact, the total cost of staffing UCC can only be captured by merging three cost centres.

Bermuda Hospitals Board

Urgent Care Center East - Cost Centers 6123 7649 7659

	2010	2011	2012	2013	2014 YTD
Operating Revenue					
Outpatient Revenue	1,731,485	2,241,248	2,270,841	2,472,675	632,063
Non-Medical Total	0	0	0	0	0
Total Operating Revenue	$1,731,485	$2,241,248	$2,270,841	$2,472,675	$632,063
Operating Expenses					
Direct Medical Staff	597,297	828,602	805,277	699,601	55,766
Nursing & Lab Costs	0	691,503	704,909	704,909	304,608
Supporting Medical Services	85,532	0	0	0	0
Estimated Benefits @ 20%	136,566	304,021	302,037	280,902	72,075
Total Salary	$819,395	$1,824,126	$1,812,223	$1,685,412	$432,449
General Supplies and Services	488,063	477,165	408,075	344,168	41,667
Medical Supplies	88,383	48,296	65,511	68,730	13,960
Repairs and Maintenance	86,295	51,748	79,029	96,591	11,943
Utilities	39,398	36,768	43,508	39,734	14,079
Office and Consulting Expenses	300,536	152,611	170,216	131,769	22,463
Food	13,140	942	1,773	1,808	671
Management Fees					
Water Management	0	0	0	0	0
Total Operating Expenses	$1,015,815	$767,530	$768,112	$682,800	$104,783
Total Expenses	$1,835,210	$2,591,656	$2,580,335	$2,368,212	$537,232
Net Operating Income/Loss	($103,725)	($350,408)	($309,494)	$104,463	$94,831

OPTION IDENTIFICATION AND SELECTION

Option 1: No Action

There are a number of reasons that this business case actively considers leaving the UCC intact, taking no further action.

1) *The UCC shifts the non-emergent patients to non-emergent care environment.*
   UCC has demonstrated that it can reduce KEMH's ED volume during peak hours. According to ED volumes data, prior to opening the UCC in 2009, ED admissions were climbing approximately 3% per year, and once UCC opened, ED visits dropped 8.3% in its inaugural year. It should also be noted that in spite of a decrease in Bermuda's population over the last five years, the utilization of the ED and UCC has continued to grow and is likely reflective of a weaker economy driving more patients to seek care where there isn't a copay attached.

2) *The demand for emergent care is rising amid shrinking capacity.*
   If the 5,000 annual visits to UCC are shifted to the ED instead, the waiting times for a bed in the ED could increase. This is possible given that when KEMH's New Acute Care Wing opens on June 1, 2014, the ED will have 6 fewer beds (a net loss of 24% of the total ED bed space at KEMH). With this, BHB must also consider the aging population which will continue to grow over the next two decades with multiple chronic illnesses that frequently generate ED visits. In all, increasing ED patient volumes is likely in an ED with 24% smaller capacity could drive up patient wait times and impact the quality of emergency care in Bermuda.

3) *The UCC is a positive BHB led initiative.*
   UCC was opened in 2009, as a Government mandate that sought to respond to recommendations made by the Oughton and Arthur Anderson reports. Since 2009, the UCC has been viewed positively by the community, and winding it down may spark public and political discord. However, the avoidance of acrimony may not be enough to offset the unsustainable financial position that the UCC faces year by year.

Option 2: Seek alternative funding agreement with Government

As stated above, the exorbitant cost of providing urgent care in St. David's was fully recognized in 2007, and a grant from Government was contemplated although was not implemented. This option acknowledges that there is significant value for Bermuda in having an access point for medical care in St. David's. Because of this value to the community, and the fact that it is a non-mandated, non-acute service, the funding of UCC may be better placed with the Ministry of Health and Seniors. This option revisits this possibility with the Government.

Although Bermuda's austere financial realities may overrule, the logic to support this option is sound:

1) *The UCC shifts non-emergent patients to non-emergent care environments*
2) *The demand for emergent care is rising amid shrinking capacity.*
3) *The UCC is a positive public health/access to healthcare initiative.*
4) *In severe weather events, the UCC is strategically placed to care for the East End.*
5) *In civil emergencies, the UCC has strategic value for the Island.*
6) *Government's public health presence in St. George's could be consolidated into the UCC, a modern, purpose-built clinical environment that will cost less to maintain.*

Option 3: Wind Down UCC

In this scenario, all services offered by BHB through UCC would be wound down. Public announcements regarding the closure would be properly advertised well in advance alerting patients of the change. Patients with urgent care needs would be redirected to seek care with their primary care physician, KEMH's Fast Track, or through KEMH's ED. BHB's Facilities and Maintenance Department would take steps to decant and decommission the building.

The logic in winding down the UCC is supported on the basis of the following arguments:

1) *The UCC is historically not revenue positive.*
   This business case has gathered the financial records that indicate losses for 3 of the last 4 fiscal years. With the actual costs of operating UCC now known, BHB must acknowledge that UCC is neither a mandated service, nor is it a non-mandated core service required for the effective operation of BHB's core acute care and mental health services. Of consequence also, while BHB remains under the Memoranda of Understanding ("MOU") with Bermuda's commercial insurers, the UCC annually generates approximately $2.4 million which is deducted from BHB's revenue cap.

2) *The UCC does not provide good value for money.*
   Staffing the UCC for its current operating hours is extraordinarily expensive, requiring three physicians, six registered nurses, and two registration clerks. This configuration of staff is wasteful for the provision of care to only 14 patients per day. (Many solo practitioner primary care physicians see almost double this number patients in an eight hour day and do not require such an expensive staffing complement!)

3) *In times of severe storms, the UCC's value is already in question.*
   The BHB withdrew its diagnostic staff from the UCC in April 2013, eliminating day time diagnostic services. Should the diagnostic equipment be removed from the UCC it could not function as a stand-alone ED in the case of a causeway closure. While the potential isolation of the East End of the Island due to damage to the causeway from a hurricane remains a very real threat, the Lamb Foggo Urgent Care Centre would have very limited diagnostic capability restricted to POC testing, Plain X-ray imaging, and ultrasound.

4) *The UCC may incentivize patients to avoid lower cost primary care.*
   It is also worth noting—if only at an anecdotal level—that the bulk of the UCC's patients visit the facility out of personal convenience and could have safely attended their primary care physician's office. At least to some extent, the UCC offers patients a means to circumvent their primary care physician's co-pay and potentially inconvenient office hours as the cost of healthcare for Bermuda continues to rise.

Option 3a: Wind Down UCC—Reserve Facility for Storm/Natural Disaster

In this scenario, all services offered by BHB through UCC would be wound down. Public announcements regarding the closure would be properly advertised well in advance alerting patients of the change. Instead of decanting and decommissioning the facility, BHB would continue to maintain the property in the event that the Island encounters a major storm or other natural disaster where St. George's and St. David's residents would be isolated from medical care for a period of time. BHB's Facilities and Maintenance Department would continue to have responsibility for the property, and would need to budget between $75,000 - $100,000 per year to keep the facility in working order.

The logic in reserving the UCC for severe weather and/or other civil emergencies is supported on the basis of the following arguments:

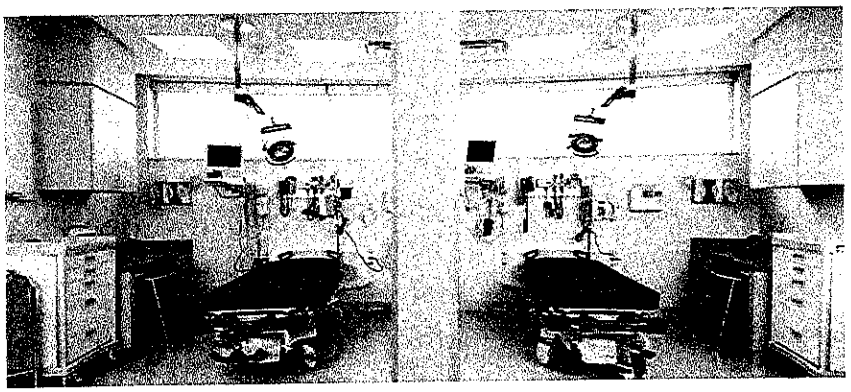
1) *In severe weather events, the UCC is strategically placed to care for the East End.*
The UCC can function as a "Stand-alone" ED at the East End during weather-related closures of the Causeway. Although infrequent, hurricanes and major winter storms have resulted in at least temporary closure of the causeway, which may last for several days. Given there are no other purpose-built facilities in St. George's or St. David's to provide this service, the UCC is strategically placed and well equipped to provide emergency services with BHB's personnel. The Lamb Foggo Urgent Care Center is well equipped with a large generator and is located well above the level of storm surges.

2) *In non-severe weather events, the UCC has strategic value for the Island.*
The unit serves as a potential location for the treatment of "minor" victims (the "walking wounded") during a major aircraft incident at the Frederick L. Wade International Airport. The unit could serve as an outpatient clinic facility for patients requiring isolation during a major outbreak of highly contagious disease where it would be desirable to prevent the possibility of disease transmission to KEMH.

<u>Option 3b: Wind down UCC— Seek Private/Public Partner to Operate</u>
In this option, BHB underscores its intent to focus on its mandated and core services, and takes action to wind down the UCC. Instead of decanting and decommissioning the UCC property, through an RFP process, BHB would seek a partnership from the community (commercial or Government) to continue to operate urgent care services for the benefit of the St. David's and St. George's residents. The provider would have full use of the facility, and could offer other clinical and/or non-clinical services.

The logic in offering the UCC for lease to the private medical community is supported on the basis of the following points:

1) *Consistent Patient Volumes, Revenue*
This may seem like an option that has a low probability of succeeding given the very low number providers who choose to locate medical practices in the area. However, a provider could replace the BHB-operated UCC with a private or non-profit Urgent Care Service. If anything, BHB has proven that the service generates consistent revenue from a stable volume of patient visits, and would be entirely successful if costs were better contained. Not being bound by BHB's collective bargaining agreements and revenue caps may open the door to profitable results.



The UCC would be attractive for a private medical provider, given it is relatively new, purpose built, "state- of the- art" clinic kitted with diagnostic imaging and laboratory equipment.

2) *Opportunity for additional revenue generation*
Further, if the private provider added additional revenue generating services, the facility could be more fully utilized. (Because of the BHB's MOU revenue caps, there is no incentive for BHB to pursue a similar business development strategy.) A private provider could utilize the facility for number of purposes that not only generate revenue, but add value to the health of the residents in the East End.
    - Chronic disease management education / outreach
    - Outpatient Medical Clinic
    - Geriatric Clinic
    - Pain Management Clinic
    - Psychiatric Outpatient Clinic / Child and Adolescent Services (No MWI stigma)
    - Orthopedic follow-up (plain radiography support)
    - Anticoagulation Clinic (with appropriate POCT support)
    - Private Primary Care office rental if a primary care practice located in the west end or central parishes wanted to establish a presence at the east end of the island

REVIEW OF OPTIONS

	Option 1: No Action	Option 2: Develop Alternative Funding Model With Government	Option 3: Wind Down UCC	Option 3a: Reserve UCC for Storm Coverage	Option 3b: Lease Facility to Private Provider
1) Aligns with BHB's Focus on Mandated, Core Services	No	Yes	Yes	Partially	Partially
2) Aligns with BHB's Financial Sustainability Strategy	No	Yes	Yes	Yes	Yes
3) Eliminates $2+ million in operating expenses	No	No	Yes	Yes	Yes
4) Eliminates $2+ million in capped revenue	No	No	Yes	Yes	Yes
5) Allows BHB to shift non-emergent ED cases to more appropriate setting	Yes	Yes	No	No	Yes
6) Ensures East End Access to Care in Case of Causeway Closure	Yes	Yes	No	Yes	Yes
7) May Trigger Bermudian Redundancies	No	No	Unlikely	Unlikely	Unlikely
8) Reduces BHB's Ability to Deliver Emergency Care	No	No	Yes	Yes	No

PREFERRED OPTION

Although the UCC has definite strategic value for access to care of Bermudians residing in the East End, the service is not mandated or core service, so it cannot be financially supported by BHB when consistently operating at a loss. As a result, the option of taking no action is discounted.

BHB's 2007 business case for the UCC acknowledged the cost of providing care would indeed be expensive, and proposed a grant from Government be secured to make the continued operation of the UCC financially viable. This grant did not come to fruition, and, instead, BHB has operated the UCC at a loss for several years. Given the current economic climate, and Government's withdrawal of funding for Continuing Care, the prospect of a new grant to keep the UCC's doors open seems unlikely.

The recommended option is to wind down the UCC, however, there are several sub-options that must also be considered. Instead of a full decommissioning and decanting, BHB could maintain the clinical capacity of the facility, reserving it for use during severe storm events or other disasters that compromise the causeway. The BHB has a 30 year lease on the 2 acre property from the Bermuda Land Development Commission for $1 per year. The ongoing expense of "moth-balling" the facility would be limited to maintaining the physical integrity of the building and the grounds.

In the preferred sub-option, through a public tendering process, BHB would identify a medical provider to operate the urgent care service alongside other complementary services. The result of this option would be maintaining access to urgent care service while freeing BHB from the financial liability of operating a non-mandated, non-core service at a loss. An external provider stands a better chance of operating the facility in the black since their staff would not be bound by BHB's collective bargaining agreements or revenue caps. BHB shifts from being a direct provider of services to a property management relationship with the successful bidder. If a successful bidder is not identified, BHB could proceed with its contingency plan to moth-ball the facility reserving it for critical access during causeway closures.

WORKFORCE & LEADERSHIP

Winding down the UCC will translate into the absorption of the medical staff assigned to the UCC into the KEMH ED. While the 3 physicians, 6 registered nurses may be predominately on work permits, these permits can be managed by the Chief of Staff, Chief of Nursing Quality and Risk, and Human Resources to avoid any Bermudian redundancies.

PROCUREMENT STRATEGY

The proposed change in this business case does not require procurement of equipment or services, however may involve BHB's policy and protocols for tendering.

EXIT STRATEGY

The strategy for exiting from the UCC depends largely on the sub-option the Board determines is in the best interest of BHB. Winding down the UCC for either moth-balling or leasing will require a comprehensive exit strategy be developed by leadership involved in critical care, facilities and maintenance, procurement, and property management. An outline of the exit strategy is provided below:

1) Develop a communication strategy to publicize the UCC's closure, encouraging patients to utilize their primary care physician or BHB's Fast Track services.
2) If the Board decides to reserve the facility for operations during causeway closure, BHB's Facilities Department does not need to decant clinical and non-clinical equipment.

3) If the Board decides to open the facility for utilization by a medical provider, the clinical equipment is an asset to the property and to the future provider.
4) The manager of procurement will partner with BHB's clinical leadership, facilities and maintenance, and property management to prepare a tendering plan that attracts, evaluates bidders interested in leasing the UCC from BHB.

CONCLUSIONS

BHB's provision of urgent care services in a high cost environment for so few patients has proven to no longer be sustainable. Although the UCC has definite strategic value for access to non-emergent care, and may well shift non-emergent cases from the ED. The UCC service is not mandated, is not a core service, and it cannot be financially supported by BHB when consistently operating at a loss.

Going forward, the preferred option is to wind down the UCC service, and either moth-ball the physical structure, or lease it to a medical provider that is not limited by BHB's collective bargaining agreements or revenue caps. A provider would be free to operate additional health care services that improve access to health care in the East End, but also generate more revenue. In this scenario, BHB shifts from being a direct provider of services into a property management relationship with the successful bidder. If a successful bidder is not identified, BHB could proceed with its contingency plan to moth-ball the facility reserving it for critical access during causeway closures.