

# Review of Conclusions and Recommendations in the Bond Advisory Committee Report to the Board of Directors

April 23, 2014

**FINAL**

## Executive Summary

©2014 Navigant Consulting, Inc.  
Proprietary Document

**NAVIGANT**  
HEALTHCARE



# SCOPE OF WORK AND APPROACH

## » Key Questions to Address:

- › Are service line plans and assumptions reasonable and appropriate for the future state of healthcare?
- › Is \$935M sufficient to execute MIHS strategic vision and plan?
- › How can the strategic facility plan support operational cost savings, in particular energy savings?
- › Does MIHS strategy support population based health and foster community-based collaborative development?

## » Our Approach:

- › Review key deliverables, assumptions and detailed supporting documentation from Navvis, KSA & MIHS.
- › Interviews of key MIHS executive, Navvis, and KSA team members.
- › Benchmarking methodologies and assumptions for service line strategies, space programming, budgeting and population health/community based development strategies against our team's experience with past similar projects, industry standards and best practices.
- › Summary of key findings and impact on service line strategies/plans, space needs, and costs.

# EXECUTIVE SUMMARY – SERVICE LINE PLAN REVIEW

## Key Findings/Conclusions:

- » The MIHS service area definition and population projections appear to follow generally accepted planning methodologies and use valid data sources.
- » Inpatient volume projections assume a modest decline in discharge use-rates. Most planning experts expect inpatient use-rates to decline somewhat more significantly, which could result in market volumes being approximately 18,000 fewer than projected by Navvis/Advisory Board.
- » The Navvis/Advisory Board projections showed a modest increase in MIHS inpatient market share from 3.4% to 3.7% between 2012 and 2017. This represents a reversal of the downward trend in MIHS market share over the last several years and generates an increase in volumes for MIHS of about 1,650, which is also a significant shift in the patterns of the last few years, which have seen steady declines in MIHS volumes.

# EXECUTIVE SUMMARY – SERVICE LINE PLAN REVIEW

## Key Findings/Conclusions:

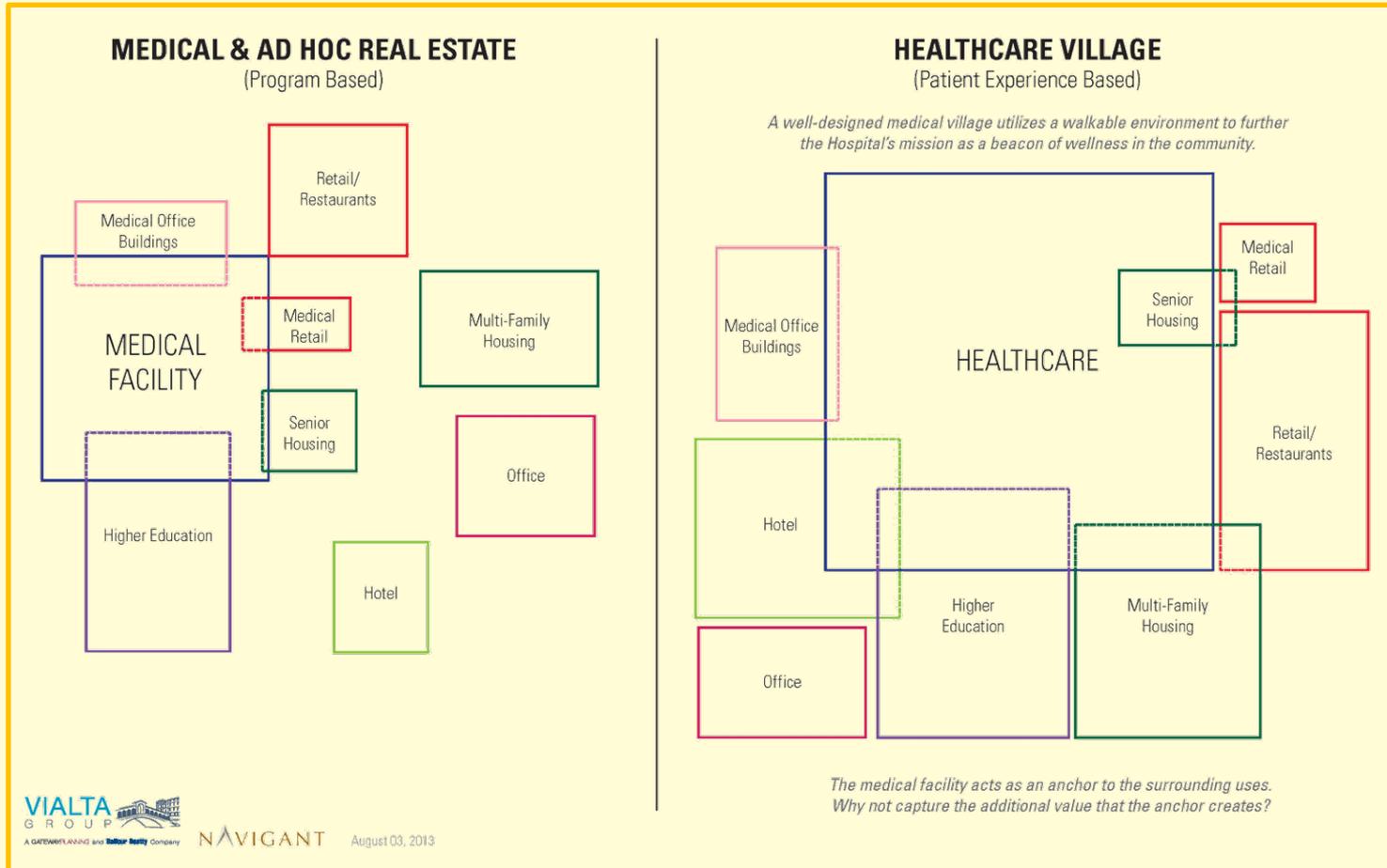
- » Our sensitivity analysis of MIHS inpatient projections indicates that based on market use-rates and market shares, MIHS projected 2017 volumes could be somewhere between 900 and 1,300 lower than the Navvis projections (depending on the market volume). This would represent a lower average daily census of 11-15 patients.
- » Based on historical patterns , the projected growth in MIHS Behavioral Health discharges of only 2.0% per year during the projection period is likely to be understated.
- » The Navvis/Advisory Board projections show MIHS ED volumes increasing well below historical growth rates and well below the projected growth in the service area population. Given the growth in retail/urgent healthcare as well as the development of additional MIHS health centers, this more modest growth in ED volumes is appropriate. And although the Navvis/Advisory Board ambulatory growth assumptions appear to be somewhat aggressive overall, they appear consistent with MIHS's strategic initiatives and strategic focal areas.

# EXECUTIVE SUMMARY – COST REVIEW AND COMPARISON TO BAC REPORT

	Acute Care Hospital	Behavioral Health Hospital	CHC's	FHC's	Total	
<b>Navigant Budget Totals</b>	\$571,000,000	\$208,000,000	\$99,000,000	\$36,000,000	\$914,000,000	
<b>BAC Report Budget Totals</b>	\$546,000,000	\$247,000,000	\$102,000,000	\$26,000,000	\$921,000,000	
<b>Variance</b>	\$25,000,000	(\$39,000,000)	(\$3,000,000)	\$10,000,000	(\$7,000,000)	-0.8%

- » Based on our recommended modifications to the approach to programming and budgeting for Option 2, approximately \$914M will be required to execute this option. This is \$7M lower than the upper range in the BAC Report, which is a less than 1% variance, a statistically insignificant difference. Additional capital may be required for land acquisition and participation in Public-Private partnerships which support the need for \$935 million.

# AD HOC FACILITIES OR NEIGHBORHOOD-BASED HEALTHCARE VILLAGES



» The locations and transformation of the MIHS facilities should support the goals of active, connected, healthy neighborhood living—a direct opportunity for population health.