Leadership Assembly
June 19, 2013

Jeff Balser, MD, PhD
Vice Chancellor for Health Affairs
Dean, School of Medicine
Strategy

- Clinical care perceived locally and nationally as extraordinary in both quality and value
- Education of local, national, and world leaders in healthcare and biomedical science
- Discovery research of fundamental importance to humanity with real-time translation to improvements in health
- The clinical enterprise is our platform: financial base and operational scaffold for our academic leadership
Challenges and Risks

• Healthcare market consolidation (6000 hospitals becoming 100-400 health systems)
  • Reduced federal support for education of all kinds (PhD students, nursing and medical students, residents, others)
  • Absolute reductions in NIH support for discovery science
  • Falling reimbursement for clinical care
  • Nurturing our organizational culture as we manage all of the above
Vanderbilt Affiliating Hospitals: 2,887 Beds

- NorthCrest Med Ctr
- Williamson Med Ctr
- Cookeville Reg Med Ctr
- Humboldt Gen Hosp
- Camden Gen Hosp
- Camden Gen Hosp
- NorthEast Med Ctr
- Cumberland River Hosp
- Pathways of TN
- Humboldt Gen Hosp
- Bolivar Gen Hosp
- Jackson-Madison Cty Gen Hosp
- Madison Reg Med Ctr
- Marshall Med Ctr
- VUMC Affiliating Hospital

* = VUMC Affiliating Hospital
Challenges and Risks

• Healthcare market consolidation (6000 hospitals becoming 100-400 health systems)

• **Reduced federal support for education of all kinds (PhD students, nursing and medical students, residents, others)**

• Falling reimbursement for clinical care

• Absolute reductions in NIH support for discovery science

• *Nurturing our organizational culture as we manage all of the above*
### Graduate Medical Education

<table>
<thead>
<tr>
<th>VUMC Investment</th>
<th>Cost</th>
</tr>
</thead>
<tbody>
<tr>
<td>A: Total resident/fellow salary &amp; fringe</td>
<td>$57,031,456</td>
</tr>
<tr>
<td>B: “A” PLUS administrative/space costs</td>
<td>$73,206,078</td>
</tr>
<tr>
<td>C: “B” PLUS Program Director costs</td>
<td>$84,399,521</td>
</tr>
<tr>
<td>D: “C” PLUS Faculty Administrative &amp; Didactic Costs</td>
<td>$115,332,941</td>
</tr>
</tbody>
</table>

**GME Reimbursement (including DGME/payments from other hospitals) before Medicare IME:** $37,586,732

- Includes $14,344,800 in TennCare GME reimbursement
- Medicare and Medicare Advantage IME: $36,993,740

**Total Reimbursement:** $74,580,472

**Unreimbursed Investment (non-billable activities):** $40,752,469

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For Vanderbilt, DGME/IME combined do not cover the core, direct, non-billable GME costs, even before factoring in faculty time required for clinical supervision.
Curriculum 2.0

Training leaders while reducing the size of the MD and PhD training class sizes
“Watching them grow from tentative, awkward, and unfocused guests in the clinic to confident members of our team who added real benefit to patients experiences ranks high on the list of things we’ve experienced at Vanderbilt.”

Carol Eck, RN, MBA
Administrative Director, VICC

“In the program the faculty also collaborate across disciplines. The students really did bring us to a different level.”

Michael N. Neuss, MD
Chief Medical Officer, VICC
Medical School Admissions Update

- Fierce competition for 96 positions in VU’s MD class

**MD applications**

<table>
<thead>
<tr>
<th>Year</th>
<th>2003</th>
<th>2005</th>
<th>2007</th>
<th>2009</th>
<th>2011</th>
<th>2013</th>
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</thead>
<tbody>
<tr>
<td>Applicants:</td>
<td>3000</td>
<td>3500</td>
<td>4000</td>
<td>4500</td>
<td>5000</td>
<td>5830</td>
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</table>

66.24% increase

**MCAT**

<table>
<thead>
<tr>
<th>Year</th>
<th>2013</th>
<th>2012</th>
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</thead>
<tbody>
<tr>
<td>11.74</td>
<td>11.60</td>
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**GPA**

<table>
<thead>
<tr>
<th>Year</th>
<th>2013</th>
<th>2012</th>
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</thead>
<tbody>
<tr>
<td>3.81</td>
<td>3.79</td>
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</table>
Challenges and Risks

• Rising unsupported costs for education and training of all kinds (PhD students, nursing and medical students, residents, others)
• Absolute reductions in NIH support for discovery science

**Falling reimbursement for clinical care**

• Healthcare market consolidation (6000 hospitals becoming 100-400 health systems)
• *Nurturing our organizational culture as we manage all of the above*
Hospitals and Clinics
OP Visits

FY13 YTD Budget Variance +84,357
Prior YTD Variance +98,815

FY13 YTD Budget Variance +5,599
Prior YTD Variance +4,336
Hospitals and Clinics
Discharges

VUH Discharges

<table>
<thead>
<tr>
<th>Month</th>
<th>Actual</th>
<th>Budget</th>
<th>Prior Yr</th>
</tr>
</thead>
<tbody>
<tr>
<td>Jul</td>
<td>3,276</td>
<td>3,310</td>
<td>3,110</td>
</tr>
<tr>
<td>Aug</td>
<td>3,372</td>
<td>3,203</td>
<td>3,157</td>
</tr>
<tr>
<td>Sep</td>
<td>3,310</td>
<td>3,157</td>
<td>3,110</td>
</tr>
<tr>
<td>Oct</td>
<td>3,328</td>
<td>3,345</td>
<td>2,909</td>
</tr>
<tr>
<td>Nov</td>
<td>3,463</td>
<td>3,354</td>
<td>3,157</td>
</tr>
<tr>
<td>Dec</td>
<td>3,572</td>
<td>3,157</td>
<td>3,110</td>
</tr>
</tbody>
</table>

YTD +248

MCJCHV Discharges

<table>
<thead>
<tr>
<th>Month</th>
<th>Actual</th>
<th>Budget</th>
<th>Prior Yr</th>
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</thead>
<tbody>
<tr>
<td>Jul</td>
<td>1,148</td>
<td>1,145</td>
<td>1,148</td>
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<tr>
<td>Aug</td>
<td>1,256</td>
<td>1,222</td>
<td>1,178</td>
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<tr>
<td>Sep</td>
<td>1,222</td>
<td>1,247</td>
<td>1,224</td>
</tr>
<tr>
<td>Oct</td>
<td>1,364</td>
<td>1,273</td>
<td>1,247</td>
</tr>
<tr>
<td>Nov</td>
<td>1,330</td>
<td>1,193</td>
<td>1,153</td>
</tr>
<tr>
<td>Dec</td>
<td>1,300</td>
<td>1,173</td>
<td>1,148</td>
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<tr>
<td>Jan</td>
<td>1,256</td>
<td>1,222</td>
<td>1,178</td>
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<td>Feb</td>
<td>1,222</td>
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<td>1,224</td>
</tr>
<tr>
<td>Mar</td>
<td>1,273</td>
<td>1,222</td>
<td>1,178</td>
</tr>
<tr>
<td>Apr</td>
<td>1,300</td>
<td>1,193</td>
<td>1,153</td>
</tr>
<tr>
<td>May</td>
<td>1,330</td>
<td>1,173</td>
<td>1,148</td>
</tr>
<tr>
<td>Jun</td>
<td>1,256</td>
<td>1,222</td>
<td>1,178</td>
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</table>

YTD +1,042

Combined Discharges

<table>
<thead>
<tr>
<th>Month</th>
<th>Actual</th>
<th>Budget</th>
<th>Prior Yr</th>
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</thead>
<tbody>
<tr>
<td>Jul</td>
<td>4,722</td>
<td>4,841</td>
<td>4,941</td>
</tr>
<tr>
<td>Aug</td>
<td>4,941</td>
<td>5,034</td>
<td>4,941</td>
</tr>
<tr>
<td>Sep</td>
<td>4,630</td>
<td>4,648</td>
<td>4,630</td>
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<tr>
<td>Oct</td>
<td>4,349</td>
<td>4,349</td>
<td>4,349</td>
</tr>
<tr>
<td>Nov</td>
<td>4,891</td>
<td>5,016</td>
<td>4,891</td>
</tr>
<tr>
<td>Dec</td>
<td>5,034</td>
<td>5,230</td>
<td>5,034</td>
</tr>
<tr>
<td>Jan</td>
<td>4,722</td>
<td>4,941</td>
<td>4,941</td>
</tr>
<tr>
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<td>4,941</td>
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<td>Jun</td>
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<td>4,941</td>
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</tr>
</tbody>
</table>

YTD Budget Variance +1,108
Prior YTD Variance +3,697
Hospitals and Clinics
Surgical Cases

YTD Budget Variance -27
YTD IP Variance -721
YTD OP Variance +694
## Payor Mix Shifting Toward Medicare

### Inpatient Discharges\(^{(1)}\)

<table>
<thead>
<tr>
<th>Payor</th>
<th>FY10</th>
<th>FY11</th>
<th>FY12</th>
<th>FY13 Forecast</th>
<th>FY10-FY13 Variance</th>
</tr>
</thead>
<tbody>
<tr>
<td>Medicare/Medicare Managed Care</td>
<td>25.0%</td>
<td>25.7%</td>
<td>26.5%</td>
<td>27.2%</td>
<td>2.2%</td>
</tr>
<tr>
<td>TennCare/Out of state Medicaid</td>
<td>24.4%</td>
<td>23.7%</td>
<td>23.6%</td>
<td>22.9%</td>
<td>(1.5%)</td>
</tr>
<tr>
<td>Blue Cross</td>
<td>24.0%</td>
<td>24.0%</td>
<td>23.5%</td>
<td>23.8%</td>
<td>(0.2%)</td>
</tr>
<tr>
<td>Commercial</td>
<td>21.5%</td>
<td>21.2%</td>
<td>21.2%</td>
<td>20.8%</td>
<td>(0.7%)</td>
</tr>
<tr>
<td>Uninsured</td>
<td>5.1%</td>
<td>5.4%</td>
<td>5.2%</td>
<td>5.3%</td>
<td>0.2%</td>
</tr>
</tbody>
</table>

\(^{(1)}\) Since 2010, Medicare inpatient discharges have grown at twice the rate of Blue Cross or Commercial payors. Each 1% shift in discharges from Commercial/Blue Cross to Medicare reduces net revenue by ~$5M, assuming no change in case-mix index.

### Outpatient Revenues\(^{(2)}\)

<table>
<thead>
<tr>
<th>Payor</th>
<th>FY10</th>
<th>FY11</th>
<th>FY12</th>
<th>FY13 Forecast</th>
<th>FY10-FY13 Variance</th>
</tr>
</thead>
<tbody>
<tr>
<td>Medicare/Medicare Managed Care</td>
<td>25.1%</td>
<td>25.5%</td>
<td>26.7%</td>
<td>26.8%</td>
<td>1.7%</td>
</tr>
<tr>
<td>TennCare/Out of state Medicaid</td>
<td>13.7%</td>
<td>14.2%</td>
<td>12.4%</td>
<td>13.8%</td>
<td>0.1%</td>
</tr>
<tr>
<td>Blue Cross</td>
<td>28.3%</td>
<td>27.9%</td>
<td>27.6%</td>
<td>27.5%</td>
<td>(0.8%)</td>
</tr>
<tr>
<td>Commercial</td>
<td>23.5%</td>
<td>22.7%</td>
<td>23.3%</td>
<td>22.4%</td>
<td>(1.1%)</td>
</tr>
<tr>
<td>Uninsured</td>
<td>9.4%</td>
<td>9.7%</td>
<td>10.0%</td>
<td>9.5%</td>
<td>(0.1%)</td>
</tr>
</tbody>
</table>

\(^{(2)}\) Each 1% shift from Commercial/Blue Cross to Medicare reduces net revenue by ~$6M.
In the last few weeks....

• Cleveland Clinic: Of $6B in annual expense, plans to reduce expenses by $1B
• U of Maryland Healthcare – announcing “large” layoffs June 27, cites VUMC’s efforts in the Baltimore Sun
• Johns Hopkins – reducing costs by $150 Million (expense base similar to VUMC)
• Wake Forest: Eliminating 1000 positions by June 30
• Locally – nurses asked to “clock out” between cases
• And so it goes...
Managing the Size of our Workforce

CMI Adjusted FTEs per Adjusted Occupied Bed

Source: AAMC•COTH Quarterly Survey of Hospital Operations & Financial Performance
Managing the Size of our Workforce

• Effect workforce reductions through improvements in workflow and operations

  *Evolve to Excel (E2E)*

• Intensely evaluating staff hiring and faculty hiring into programs with negative contribution margin

• Re-evaluating employees with exceptionally poor performance
Savings through Focusing on Mission

• Medical school departments revised travel and entertainment policies

• Downsizing outreach programs with funding gaps
  Exs: Center for Science Outreach, Kennedy Center Outreach Programs, Center for Health Services, etc...

• Reprioritizing capital investments
  - reexamining plans for McEwen
  - accelerating expansion of children’s inpatient services
  - accelerating development of adult procedural spaces
  - delaying new medical center research space
Challenges and Risks

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• **Absolute reductions in NIH support for discovery science**

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• *Nurturing our organizational culture as we manage all of the above*
Total Grant Awards

Faculty are competing in a highly effective manner

Downsizing research programs without external support
Challenges and Risks

• Rising unsupported costs for education and training of all kinds (PhD students, nursing and medical students, residents, others)
• Absolute reductions in NIH support for discovery science
• Falling reimbursement for clinical care
• Healthcare market consolidation (6000 hospitals becoming 100-400 health systems)

• Nurturing our organizational culture as we manage all of the above
Valuing our Faculty and Staff

• Employee Celebration Picnic This Friday
• Employee Survey (Early Fall)
• Faculty Survey (Late Fall)
• **SmartVU** rolling out by the end of this year  

    New StarPanel interface – Dr. Brad Kehler: “This is a customized, streamlined view of StarPanel devoted strictly to tools providers use as they interact with patients.” Filters out extraneous information, less busy, easily toggle between views and tasks, prescribing, ordering, writing, etc.
Valuing our Patients

Patient Experience and Service Strategic Initiative

More than 50 clinicians, administrative leaders and members of our patient/family advisory councils.

Seven “Future stories” were defined that move us toward an exceptional personalized patient experience that truly delivers on the Vanderbilt Patient & Family Promise.
Personalizing the Communication

With every interaction, VUMC demonstrates personalized communication tailored to the needs and communication style of the patient ...including language, ethnic, education needs....

The structured problems, adverse and allergic drug reactions, and medication lists may have been updated since this visit.

**STRUCTURED PROBLEMS:**  
(11/13/12 09:28, Dario A. Giuse)  
Acute myeloid leukemia in remission  
Systemic blood pressure  
Cerebrovascular accident  
Carcinoma of breast  
Diabetes mellitus type 2  
Migraine

**ADVERSE AND ALLERGIC DRUG REACTIONS:**  
(11/14/12 17:00, Byrd, Janet)  
Sulfa (Sulfonamide Antibiotics) (hives)  
Penicillins (hives)  
ACE Inhibitors (cough)

**MEDICATIONS:**  
(11/14/12 10:55, Jantz, Thomas A)  
Medications reconciled based upon information available from the patient and medical record resources at the time of the visit. You are advised to check in with your primary care provider or prescribing specialist for regular medication dosages and continued appropriateness. Keep an updated list of your medications. Bring this with you every time you come to the doctor's office or hospital.  
[Comment 3]

- nitroglycerin 0.4 mg sublingual tablet (Also Known As Nitrostat) 1 tablet sublingually at the first sign of symptoms
- amlodipine 10 mg tablet (Also Known As Norvasc) 1 tablet by mouth daily as needed
- Nexium 40 mg capsule, delayed release 1 capsule by mouth daily
- Humalog 100 unit/mL Sub-Q 5.5 units subcutaneously before each meal
- amiodarone 200 mg tablet 1 tablet by mouth twice a day as needed
- atorvastatin 10 mg tablet (Also Known As Lipitor) 1 tablet by mouth daily
- fexofenadine 180 mg tablet 1 tablet by mouth daily
- amoxicillin 500 mg tablet 1 tablet by mouth every 12 hours for 10 days
- aspirin 81 mg daily
My Health Profile
John A. Doe (MRN - 12345678.9)

Priority Problem List

Lung Nodal Therapy Plan (Onset - 01/2012) Dr. Lorraine Ware
CT Scans (twice yearly for 2 years)
- 02/12
- 08/12
- 02/13 scheduled
- not scheduled
2012 2013 2014

Hypercholesteremia Therapy Plan (Onset - 01/2012) Dr. John Peach
Current Medical Rx - Simvastatin (10mg daily, oral)
LDL Measurements (Target < 100 mg/dL)
- 226
- 184
- 97
- 104
- 2010
- 2011
- 2012

Pain Management Dr. John Peach
Current Medical Rx - No pain medications prescribed
Pain Score Measures (Your goal < 3/10)
- 7
- 6
- 4
- 2
- 2010
- 2011
- 2012

Personal Priority Measures (see areas below for details)
- Priority Health Values
- Priority Challenges
- Priority Wellness
- Priority Problem List

Personal Health Values
- Advanced Directive Not Completed
  Ask your healthcare provider for details
- Minimal Medications Requested
- No Transfusions Allowed

Personal Health Challenges
- Readiness to Quit Smoking
  Ask about new VUMC cessation program
- Difficulty Exercising Due to Osteoarthritis (knee)
  The Dayani Center can Specialize an exercise program for you
- 8 miles from VUMC
  Ask about VUMC telemedicine options
- No Reliable Home Caregiver

Priority Wellness Measures

BMI (Target < 25)

Habits
- Smoking Status - Smoking

Screenings
- Colonoscopy (06/22/2010)

Vaccines
- Influenza (08/15/2012)
- Tetanus (02/03/2009)

Login for all Personalized Information!

My Health at Vanderbilt

Note: You have a genetics variant (CYT206) that may affect your response to pain medications. Ask your provider for more information.

[ See Page 2 for details medical Problem List & Current/Previous Medications ]
Valuing One Another