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An alliance of hospitals and health delivery systems

## Virginia Hospitals: Our Lifeline

By Julian Walker

**The Virginia Hospitals: Our Lifeline Effort is Raising Public Awareness about the Major Economic Benefits Local Hospitals Provide and the Serious Threats They Face.**

The summer of 2005 was a nail-biting time for many Virginia elected officials. That July, Naval Air Station Oceana in Virginia Beach found itself on the dreaded U.S. Base Realignment and Closure Commission list despite not having been among then-Defense Secretary Donald Rumsfeld's original recommendations. Understandably anxious about that twist, Commonwealth officials promptly responded by scrambling the squadron, so to speak. The reasons for concern were obvious. There were national security implications, of course. Protecting thousands of jobs and other economic benefits from the base was another major factor animating those trying to stave off harm to Oceana. The stakes were enormous – one study estimated Oceana realignment would result in 20,000 lost jobs across the region by 2010, as well as the loss of \$1.3 billion in gross regional product. The combined efforts of federal, state, and local officials (Republicans and Democrats) ultimately averted that harmful outcome. That episode was not the last time policymakers from both parties joined forces in response to proposed federal actions which threatened to weaken Virginia's economy. A bi-partisan battle to save Norfolk-based Joint Forces Command (the closure went forward, but many jobs related to its operation stayed in Hampton Roads) spanned 2010-2011. The next year, 2012, marked the beginning of a campaign to stop a Norfolk-ported aircraft carrier from relocating to Jacksonville, FL, which the Hampton Roads Chamber of Commerce forecast would cost Virginia 11,000 jobs and \$650 million annually.

The common thread among those episodes is the way Virginia Republicans and Democrats joined hands to protect the Commonwealth and fight external actions that threatened economic carnage. Today, Virginia again is on the precipice of enduring substantial economic damage due to government decisions which imperil our top-flight health care network and all the val-

ue and benefits it brings to the Commonwealth. Thousands of good-paying jobs and billions in positive economic activity attributable to Virginia's local hospitals and health systems are at stake. Unfortunately, many Virginians are unaware of how this situation impacts them. As a result, the appropriate urgency (such as that present in response to potential weakening of Virginia's defense economy) is lacking in some quarters even as a serious health care-related economic crisis looms.

To alert the public and policymakers to the dire consequences lurking, the Virginia Hospital & Healthcare Association in September launched a statewide public awareness effort explaining how valuable hospitals are and how statutory and regulatory actions beyond their control threaten their stability, jobs, our economy, and public health. The **Virginia Hospitals: Our Lifeline** campaign ([www.ISupportVirginiaHospitals.com](http://www.ISupportVirginiaHospitals.com)) is a multi-platform effort visible across the Commonwealth through [television](#) and radio ads, in newspapers and magazines, on buses and highway billboards, and digitally through social media and other online formats.

Response to the campaign has been overwhelmingly positive since its Sept. 16 launch, attracting news coverage on network affiliate broadcast television stations in the Richmond, Hampton Roads, Roanoke, Charlottesville, and Tri-Cities media markets (reaching 239,084 viewers); more than 70 newspaper, magazine, blog and online articles; and more than 20,000 new social media impressions in the week after its debut.

The goal of the **Virginia Hospitals: Our Lifeline** campaign is to begin a public dialogue about the serious imbalance in the health care system which threatens all the positive economic and public health contributions it provides for the Commonwealth. Our elected leaders want what's best for their constituents, as do hospitals. We know that having a stable health care network is good for jobs, the economy, and the public. People recognize that, too. That's why action in Richmond is necessary to protect those assets. Creating awareness so people under-

# \$36 Billion in Economic Activity

stand what's at stake is the goal of the *Virginia Hospitals: Our Lifeline* campaign. To create awareness, we are starting with a conversation that plainly spells out these issues. Once that happens, we have every confidence the General Assembly can find innovative solutions, just as it has on other complex policy matters. This is not a partisan issue. It is a jobs, economy, and public health issue for the Commonwealth.

Local hospitals and health systems are among the largest employers and economic contributors in Virginia. The health care industry is a major economic engine for Virginia. It was one of the few growth sectors in the state economy last year, which overall was a no-growth period. Those benefits, unfortunately, are imperiled by a series of Washington cuts and mandates which continue to financially undercut hospitals.

Virginia's local hospitals and health systems directly support more than 115,000 jobs amounting to \$8 billion in payroll. Providers spent \$17 billion on goods and services, and contributed \$36 billion in economic activity in 2013. Health care supports 1 in 9 Virginia jobs, representing 11 percent of the state workforce. When direct and indirect jobs are tabulated, health care is responsible for 950,000 jobs (or 23 percent of the workforce).

*tion into the local community is the annual 'charity care,' which in 2013 amounted to more than \$36 million,"* the newspaper added. *"Bottom line, strong, healthy hospitals are economic drivers and direct and indirect job creators in their communities, and Centra is no different for Central Virginia. But today, hospitals in Virginia — the majority of which are nonprofit — face fiscal headwinds in the coming years resulting from changes in Medicare and Medicaid reimbursements and the evolution of those two programs from fee-for-service to outcomes-based."*

Continuing government cuts to reimbursements, sequestration, and big reductions from the Affordable Care Act (ACA) are inflicting financial pain on local hospitals. Additional expenses come from the ongoing industry transformation of care delivery that is focused on patient outcomes. Escalating Medicare cuts alone in 2015 and 2016 will cost Virginia hospitals and health systems \$1 billion. That's in addition to the \$1.5 billion in funding cuts Virginia hospitals have sustained in the past five years. Even so, hospitals have mandates to treat people who can't afford care, and those in subsidized programs that don't fully cover local hospitals' cost for seeing those patients. Virginia's local hospitals and health systems provided \$3 billion in community support in 2013 when uncompensated care, Medicare and

## Health care accounts for 1 in 9 Virginia jobs

For a local perspective, consider the case of Lynchburg-based Centra Health, as articulated in a recent [Lynchburg News & Advance editorial](#):

*"The reach of any hospital into its community is deep, and Centra is no different,"* the newspaper stated. *"Most obvious is the direct payroll of the system. Centra is the second-largest employer in the region, with more than 3,600 employees, **but that's only half the picture.** Doctors, health care workers and practice employees not affiliated with any of Centra's operations number in the thousands. In many cases, Centra is able to assist practices attract needed specialists to the region, specialists who might not have considered Central Virginia were it not for Centra's reputation and resources. **There are also the indirect jobs. The local businesses utilized for such things as maintenance, contractors and subcontractors on building projects, food providers and the like. The ripple effect just contributes more to the region's economic health.**"*

*"And one of the most important and most direct of Centra's influ-*

Medicaid shortfalls, and other contributions are accounted for. Some of the fiscal challenges confronting local hospitals are ACA-related. However, many pre-date passage of the 2010 federal health care reform law. Health care has long been a heavily-regulated industry. Aside from funding cuts, the government has mandated that local hospitals provide free and discounted care. Most local hospitals are required to treat any patient who comes into the emergency room regardless of ability to pay. What other business can you think of that is told to give away services without compensation? That is part of local hospitals' mission as health care providers — a mission that is taken seriously. But it comes at a cost.

Washington cuts and mandates, combined with Richmond inaction, have left Virginia's local hospitals in a financial vice grip. Consequently, one-third of Virginia acute care hospitals had negative operating margins in 2013. In rural Virginia, 17 of 37 acute care hospitals operated in the red. These margins are leading to increased consolidation and cost cutting, including elimination of specialty services such as obstetrics and other practice areas. Hospitals are making such difficult decisions for business reason, to maintain stability. As these challenges continue to go un-addressed, the time is fast approaching when deeper cuts to services and potentially staffing could be necessary. Think about what that means for Virginia's economy if major employers like hospitals further tighten their belts, scale back services, and are forced to eliminate jobs. It would be painful across the Commonwealth, and especially in rural communities where local

**115,000 employees**  
**\$8 Billion payroll**

# Many Acute Care Hospitals Operated in the Red in 2013

hospitals are some of the largest employers around.

Augusta Health President and Chief Executive Officer Mary N. Mannix addressed the specific challenges of rural providers during the Sept. 16 news conference for the **Virginia Hospitals: Our Lifeline** effort. Her comments about the financial plight of rural providers were put to the test by the fact checkers at the *Richmond Times-Dispatch's* Politifact Virginia unit. After thorough research, [the Politifact team unequivocally affirmed Mannix's statement](#), reporting that *"Mannix said about half of the rural hospitals in Virginia are operating at a loss. Figures from the group that tracks hospital finances back her claim and suggest, if anything, her estimate is on the low end. We rate her statement True."*

The challenges are real, and worsening, without any offsetting action on the state level to alleviate them. The [\(Waynesboro\) News Virginian](#) made note of that reality in its coverage of VHHA's campaign, observing that *"Virginia hospitals provided \$627 million in free or discounted care (in 2013), as some people couldn't afford to pay. That's an increase of 57 percent from 2008. So at a time when costs are increasing, the hospital officials don't see revenue doing the same."*

At the same time, local hospitals continue to serve the medical needs of people in their communities, year-round, day or night. That care includes more than 3.5 million emergency department visits and about 104,000 babies delivered in 2013. None of us knows when or where that unexpected moment of medical need will arise. But we're all thankful there are dedicated medical professionals on duty at our local hospitals to take care of us when we arrive. Believing that will always be the case, many of us take for granted that local hospitals will always have open doors and lights on for our family, friends, neighbors, and loved ones in times of need.

We would all like that to be the case. But that isn't promised. And continued inaction by state policymakers on addressing the challenges that exist only hastens the likelihood of negative outcomes for Virginia's health care network. Among the pressures is the fact that, on average, the Medicare and Medicaid patient mix is 60 percent at urban hospitals and 74 percent at rural hospitals. Neither program reimburses hospitals for the full costs of care. Medicare pays an average of 90 cents on the dollar, while Medicaid pays 66 cents, shortchanging hospitals for the full costs of care on the majority of inpatient admissions. Think about how difficult it is for a business to survive if close to two-thirds of its customers get mandatory discounts on service. [Modern Healthcare Magazine](#) touched on that in its coverage of the VHHA campaign, writing that *"Hospitals' financial woes are only expected to worsen because federal budget sequestration cuts require a continuous 2 percent drop in Medicare payments for the foreseeable future."* Indeed, by 2021, Virginia hospitals and health systems will face nearly \$1 billion in federal funding cuts

annually.

The problems facing hospitals have grown over time, meaning there is no "silver bullet" to solve them all, as James B. Cole, Virginia Hospital Center President and CEO and the Chairman of VHHA's Board of Directors, observed at the Sept. 16 **Virginia Hospitals: Our Lifeline** news conference. That said, several things are abundantly clear. People view local hospitals and health care providers favorably, even if they don't understand the depths of the financial challenges facing health care providers. People also expect that local hospitals will be around when they are in need. Presenting a clearer picture of current conditions is the purpose of VHHA's public awareness effort, which will endure through the fall and into winter. Candidly communicating about these challenges helps make them part of the conversations voters have as they evaluate candidates for office in November's legislative election. It also sets the stage for coming health care policy deliberations at the Virginia General Assembly this winter. Distribution of this message is widespread across the broadcast airwaves, through traditional and digital print media, online, and on transit and outdoor advertising. A deeper evalua-

## \$3 Billion in Community Support

tion of Virginia's health care system in the public square is a necessary conversation that VHHA is happy to initiate. The initial phase of this effort is educational. We want to make sure everyone understands the issues before we start discussing solutions. Supplementing this communication effort will be outreach to legislators, business groups, and other stakeholders across Virginia. The pressing challenges facing local hospitals are not partisan issues. They are jobs, economy, and public health issues. This is about the thousands of people whose livelihoods are linked to Virginia's local hospitals and health systems. VHHA and its members are optimistic that policymakers from both parties understand that and are open to working in the best interest of their constituents and all Virginians. Having a stable health care network is a bedrock economic issue. We are prepared to work diligently to find solutions that protect the Commonwealth's fiscal health, the well-being of its economy, and protect access to high-quality health care. Beyond the economic benefits, health care is a vital part of our societal fabric. Virginia hospitals are our lifeline. Be there for them now as they are there for all of us when we need them. Learn more and get involved at [www.ISupportVirginiaHospitals.com](http://www.ISupportVirginiaHospitals.com).

### About the Author



**Julian Walker** is VHHA's Vice President of Communications. In that role, he oversees strategic messaging and communications efforts to complement policy initiatives which support local hospitals and health systems across the Commonwealth.



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HosPAC is VHHA's political action committee. The mission of HosPAC is to provide organized and effective political action, and to support state candidates who will work to improve quality health care through policies supported by Virginia's hospital and health systems. As elected officials in Virginia and Washington make critical decisions affecting Virginia's hospitals and health systems, HosPAC supports candidates for office whose actions show consideration for Virginia health care providers and the communities they serve. To learn more about HosPAC or to contribute, visit [www.vhha.com/hospac](http://www.vhha.com/hospac).

**VoterVOICE** is an important tool which streamlines the process of connecting constituents to their legislators when the need arises for real-time citizen advocacy. Through that system, VHHA government affairs staff can directly communicate with hospital employees and supporters. VoterVOICE subscribers receive e-mail notice on important issues affecting hospitals, health systems, and providers. Transmitting information that way enables recipients to take prompt action when necessary simply by forwarding the e-mails to local legislators. VoterVOICE removes guesswork from the process for senders. The entire process takes mere seconds for message recipients. Yet hearing from citizens through VoterVOICE has tremendous impact on legislators. Steady constituent feedback on an issue is meaningful to them. It lets legislators know constituents are paying attention to how they vote. People who previously registered for VHHA's VoterVOICE system are encouraged to log in and check that their contact information is up-to-date. Sign up is simple and does not obligate subscribers to take further action — sending e-mails to legislators is voluntary. Visit <https://votervoice.net/VHHA/Home> to sign up. Robust VoterVOICE participating helps educate legislators on the issues important to Virginia hospitals and health systems, and help VHHA achieve policy outcomes that benefit providers, patients, and the Commonwealth.