LISTENING…. AND REFINING THE PLAN
GOALS

• Feedback from patients, staff and other key stakeholders
• Refining the strategic plan
• Financial challenges moving forward
• Transparency and engaging on the way forward
“It is not the strongest of the species that survives, nor the most intelligent that survives. It is the one that is the most adaptable to change.”

– Leon C. Megginson, paraphrase of Charles Darwin
THEMES...

- Proud to be the go to location for Kentucky’s sickest patients (say yes)
- Strong reputation and brand
- High quality of care
- High quality faculty and staff
- High quality of trainees
- Great relationship of staff and faculty
- Staff committed to all the missions
• Primary care access
• Comprehensive ambulatory plan
• Improved patient access to our specialists
• Engagement and transparency with faculty and staff
• Transparency and input into decisions
• Labor management and timely hiring
• Electronic Health Records (EHR)
• Continued listening and discussion
• Continued focus on cutting edge technology
THEMES... CONCERNS...

- Victim of our own success  
  - pulled in all directions  
- Provider billing and collections  
- Alignment of staffing plan to strategic plan  
- Lack of accountability at multiple levels  
- Need for more focus on quality  
- Lack of data and analytic tools  
- Lack of progress and expertise in value based care
Refining the Plan

• Drive value through a focus on quality and cost
  – Renewed focus and commitment to quality and value
  – Quality data to departments, physicians and patients
  – Develop plan for streamlined EHR implementation ($)

• Caring for Kentucky: Our patients and our people
  – Grow to meet the needs – CON for more beds
  – Enhance health through education and partnership
  – Build medical school campuses to meet the needs of Ky.
VIZIENT RANKING HISTORICAL TREND
Refining the Plan

• Maximize resources to support all of our missions
  – Accountability and transparency across all entities

• Enhance Patient access for the Bluegrass
  – Ambulatory growth – patient focused – quality service

• Engagement – Transparency
  – Team Sport – Clinician Driven - Professionally Managed
    (DYAD management)
PAST THINKING
Adding costs to improve quality/service
Cutting costs at the expense of quality/service

NEW PARADIGM
Effectiveness:
Improved quality/service at the same or lower cost
Innovation:
Improvement in all dimensions
Efficiency:
Cutting costs without impacting quality/service

Value Becoming Competitive Absolute

\[ \text{Value (V)} = \frac{\text{Quality (Q)} \times \text{Service (S)}}{\text{Cost (C)}} \]
Growth in Complex Care Service Line Growth

Enablers

1. Value-Based Care and Payments
   1. Acute Care Partnerships
   2. Post-Acute Care Partnerships
   3. Primary Care Partnerships
   4. Community Care

2. Strengthen Partnership Networks
   1. Value-Based Care
   2. Value-Based Payment Models
   3. Complex Chronic Care

3. Service Line Growth Enablers
   1. Service Line Growth
   2. Service Line Growth Enablers
   3. Ambulatory Specialty Care

4. Strategic Enablers
   - Service Line Operating Model
   - Technology
   - Strategy Implementation
   - Facility Planning
   - Marketing

Foundation of Strategy

Patient Centered Care

1. Patient Experience
2. Engagement & Alignment
3. Diversity & Inclusivity

Foundation of Strategy

Patient Centered Care

1. Patient Experience
2. Strategic Cultural Alignment

Foundation of Strategy

Ambulatory Specialty Care
Quality / Value

Clinician Led, Professionally Managed Organization

Foundation of Strategy
Patient Centered Care

1 Patient Experience
2 Engagement & Alignment
3 Diversity & Inclusivity

Expansion of Ambulatory Care
1 Primary Care
2 Specialty Care
3 Complex Chronic Care

Growth in Complex Care
1 Service Line Growth
2 Service Line Growth Enablers

Strengthen Partnership Networks
1 Acute Care Partnerships
2 Post-Acute Care Partnerships
3 Primary Care Partnerships
4 Community Care

Value-Based Care and Payments
1 Value-Based Care
2 Value-Based Payment Models

Strategic Enablers

Revenue Cycle
Strategy Implementation \ Enterprise PMO
Service Line Operating Model

Facility Planning
Technology
Branding

Clinician Led, Professionally Managed Organization

Quality / Value
## Upcoming Fiscal Impacts

<table>
<thead>
<tr>
<th>Year</th>
<th>Type</th>
<th>Description</th>
<th>Hospital</th>
<th>Physician</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>FY 2018</td>
<td>Known</td>
<td>Medicare patient service revenue reductions*</td>
<td>7.5</td>
<td>-</td>
<td>7.5</td>
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<td></td>
<td>Known</td>
<td>Supplemental payment match</td>
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<td>3.9</td>
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<td>Known</td>
<td>Supplemental payment match encounter data</td>
<td>3.2</td>
<td>12.5</td>
<td>15.7</td>
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<td></td>
<td>Total</td>
<td>12.7</td>
<td>14.4</td>
<td>27.1</td>
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<tr>
<td>FY 2019</td>
<td>Known</td>
<td>Medicare patient service revenue reductions*</td>
<td>11.7</td>
<td>-</td>
<td>11.7</td>
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<td>Known</td>
<td>Supplemental payment match</td>
<td>2.3</td>
<td>2.2</td>
<td>4.5</td>
</tr>
<tr>
<td></td>
<td>Known</td>
<td>Supplemental payment match encounter data</td>
<td>4.3</td>
<td>12.5</td>
<td>16.8</td>
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<tr>
<td></td>
<td>Known</td>
<td>Medicaid waiver approval</td>
<td>19.5**</td>
<td>6.0**</td>
<td>25.5</td>
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<tr>
<td></td>
<td></td>
<td>Total</td>
<td>37.8***</td>
<td>20.7***</td>
<td>58.5</td>
</tr>
</tbody>
</table>

Additionally, in FY 2019 and annually going forward, the hospital supplemental payments *could* start phasing out at a rate of 10% each year ($7.8 million in FY 2019)

<table>
<thead>
<tr>
<th>Year</th>
<th>Type</th>
<th>Description</th>
<th>Hospital</th>
</tr>
</thead>
<tbody>
<tr>
<td>FY 2023</td>
<td>Known</td>
<td>Elimination of physician supplemental payments</td>
<td>74.1</td>
</tr>
<tr>
<td>At the latest by 2029</td>
<td>Known</td>
<td>Total elimination of hospital supplemental payments</td>
<td>78.8</td>
</tr>
</tbody>
</table>

Medicare known threats include: changes in wage index, outpatient 340B, Disproportionate Share Hospital Payment, Outlier Threshold Decrease, Value Based Purchasing Adjustments  ** Total annual revenues collected from Medicaid expansion are $206.4 million ($155.8 million – hospital and $50.6 million – physician)  *** Governor’s recommended budget calls for $1,000,000 hospital and approximately $2,500,000 College of Medicine
# Health Care

## Income from Operations

<table>
<thead>
<tr>
<th></th>
<th>Jul</th>
<th>Aug</th>
<th>Sept</th>
<th>Oct</th>
<th>Nov</th>
<th>Dec</th>
<th>Jan</th>
<th>Feb</th>
<th>Mar</th>
<th>Apr</th>
<th>May</th>
<th>Jun</th>
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</thead>
<tbody>
<tr>
<td><strong>2018 YTD Actual</strong></td>
<td>18.6</td>
<td>28.9</td>
<td>36.9</td>
<td>51.1</td>
<td>49.0</td>
<td>52.6</td>
<td>60.1</td>
<td>70.2</td>
<td>74.7</td>
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<tr>
<td><strong>2018 YTD Budget</strong></td>
<td>10.7</td>
<td>17.1</td>
<td>29.4</td>
<td>35.6</td>
<td>47.9</td>
<td>60.9</td>
<td>75.0</td>
<td>75.9</td>
<td>80.2</td>
<td>84.3</td>
<td>92.1</td>
<td>94.6</td>
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<tr>
<td><strong>2017 YTD Actual</strong></td>
<td>19.2</td>
<td>30.2</td>
<td>43.3</td>
<td>53.2</td>
<td>66.6</td>
<td>77.2</td>
<td>95.3</td>
<td>104.1</td>
<td>115.6</td>
<td>108.5</td>
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<td>106.0</td>
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<tr>
<td><strong>2017 YTD Budget</strong></td>
<td>16.1</td>
<td>27.9</td>
<td>40.3</td>
<td>51.5</td>
<td>62.7</td>
<td>77.4</td>
<td>95.5</td>
<td>111.0</td>
<td>126.7</td>
<td>140.7</td>
<td>154.9</td>
<td>166.0</td>
</tr>
</tbody>
</table>

- YTD actual 6.3%
- YTD plan 6.9%
WHAT IS B.E.S.T.?

BEST is an acronym meaning Building Efficiencies through Strategic Transformation.
WHY DO WE NEED TO DO THIS?

We are taking a proactive and strategic approach to position ourselves for upcoming changes in health care.
**BEST: Early Areas of Focus**

<table>
<thead>
<tr>
<th>Category</th>
<th>Focus Areas</th>
<th>Cost</th>
</tr>
</thead>
<tbody>
<tr>
<td>SUPPLY CHAIN</td>
<td>Clinical, Pharmacy, Laboratory, Support Service, Physician Preference</td>
<td>$8,559,750</td>
</tr>
<tr>
<td>CLINICAL GROWTH</td>
<td>Practice efficiency and access, contingent labor and premium pay</td>
<td>$9,214,000</td>
</tr>
<tr>
<td>UKHC / COM INITIATIVES</td>
<td>Coding, AR reduction, documentation, LOS reduction, physician comp</td>
<td>$9,094,000</td>
</tr>
<tr>
<td>GPO / OTHER</td>
<td>Admin, unfunded research, Kentucky Health Collab</td>
<td>$7,601,716</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td></td>
<td><strong>$34,469,466</strong></td>
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### Financial Dashboard Update

<table>
<thead>
<tr>
<th>Benefit Area</th>
<th>Low</th>
<th>Mid</th>
<th>High</th>
<th>FY 2018 Budget Reductions</th>
<th>Launched</th>
<th>Implemented</th>
<th>Confirmed</th>
<th>Projected Implemented by end of:</th>
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<tbody>
<tr>
<td><strong>Clinical Growth Drive Team:</strong></td>
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<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>Non-Provider Productivity Hospital</td>
<td>$14,000,000</td>
<td>$17,500,000</td>
<td>$21,000,000</td>
<td>$21,935,427</td>
<td>$807,000</td>
<td>$459,636</td>
<td>$5,775,000</td>
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<td>Practice Efficiency and Access</td>
<td>$5,200,000</td>
<td>$8,800,000</td>
<td>$12,400,000</td>
<td>$8,800,000</td>
<td>$4,400,000</td>
<td>$247,930</td>
<td>$5,104,000</td>
<td>$6,600,000</td>
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<tr>
<td>Contingent Labor and Premium Pay</td>
<td>$4,100,000</td>
<td>$5,350,000</td>
<td>$6,600,000</td>
<td>$8,464,000</td>
<td>$5,507,000</td>
<td>$3,488,711</td>
<td>$4,172,074</td>
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<td><strong>Clinical Growth Drive Team Subtotal:</strong></td>
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<td>$31,650,000</td>
<td>$40,000,000</td>
<td>$39,199,427</td>
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<td><strong>$18,000,000</strong></td>
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<tr>
<td><strong>Supply Chain Optimization Drive Team:</strong></td>
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<td></td>
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<td></td>
<td></td>
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<td></td>
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<tr>
<td>Clinical</td>
<td>$3,000,000</td>
<td>$5,000,000</td>
<td>$7,000,000</td>
<td>$5,570,000</td>
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<td>$13,413</td>
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<td>Support Services</td>
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<td>$3,950,000</td>
<td>$4,700,000</td>
<td>$5,820,000</td>
<td>$1,928,000</td>
<td>$402,960</td>
<td>$1,975,000</td>
<td>$2,962,500</td>
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<td>Laboratory</td>
<td>$1,600,000</td>
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<td>$2,700,000</td>
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<td>$1,075,000</td>
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<td>Pharmacy</td>
<td>$700,000</td>
<td>$1,175,000</td>
<td>$1,650,000</td>
<td>$1,244,000</td>
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<td>$763,750</td>
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<td>Purchased Services</td>
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<td>$1,400,000</td>
<td>$1,676,000</td>
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<td>$525,000</td>
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<tr>
<td><strong>Supply Chain Optimization Drive Team Subtotal:</strong></td>
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<td>$16,480,000</td>
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<td>$416,073</td>
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<td><strong>Administrative Services</strong></td>
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<td>$900,000</td>
<td>$400,000</td>
<td>$400,000</td>
<td>$-</td>
<td>$650,000</td>
<td>$650,000</td>
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<tr>
<td><strong>Academic Growth: Unfunded Research</strong></td>
<td>$9,400,000</td>
<td>$10,100,000</td>
<td>$10,800,000</td>
<td>$10,110,000</td>
<td>$1,010,000</td>
<td>$-</td>
<td>$1,010,000</td>
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<td><strong>GPO</strong></td>
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<td>$5,000,000</td>
<td>$2,000,000</td>
<td>$5,776,790</td>
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<td><strong>TOTAL JOINT EFFORTS</strong></td>
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<td>$23,549,824</td>
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<td><strong>&quot;Other&quot; Efforts</strong></td>
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<td>Personnel Savings</td>
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<td>$799,154</td>
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<td>Physician Preference / Supply Chain</td>
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<td></td>
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<td>$3,453,982</td>
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<td>Kentucky Health Collaborative</td>
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<td><strong>UKHC/COM Initiatives:</strong></td>
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<tr>
<td>PROMPT: Documentation &amp; Coding Impact Initiative</td>
<td>$4,300,000</td>
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<td>PROMPT: A/R Improvement</td>
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<td>-</td>
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<td>Reduce Expenses in Non-Clinical Fund</td>
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<tr>
<td>Use of Development Funds versus clinical</td>
<td>$2,500,000</td>
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<td></td>
<td>-</td>
<td>$-</td>
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<tr>
<td>Reductions in HACs</td>
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<td>$7,500,000</td>
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<td>-</td>
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<td>Length of Stay Reductions</td>
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<td>$2,800,000</td>
<td>$2,745,000</td>
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<td>Nitric Oxide Savings</td>
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<td>$823,000</td>
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<tr>
<td>Pharmacy Initiatives</td>
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<tr>
<td><strong>UKHC/COM Initiatives Sub Total:</strong></td>
<td>$24,449,000</td>
<td>$24,449,000</td>
<td>$24,449,000</td>
<td>$21,600,000</td>
<td>$9,094,000</td>
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<tr>
<td><strong>GRAND TOTAL</strong></td>
<td>$90,174,000</td>
<td>$82,170,448</td>
<td>$35,918,716</td>
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<td>$4,613,350</td>
<td>$23,549,824</td>
<td>$29,428,750</td>
</tr>
</tbody>
</table>

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DRAFT FOR DISCUSSION PURPOSES ONLY
Revenue Enhancement for Academic Clinical Practice (Levers)

- Enhance collection of earned revenue
  - Improve revenue cycle, pre-authorization, and denials
  - Negotiate increased payor contracts
  - Enhance documentation to reduce denials
  - Improve communication of scheduling and finance

- Improve the utilization of current clinical effort
  - Reduce no-shows and cancellations (texting, wait-lists)
  - Markedly improve clinic arrivals
  - Targeted overbooking using smart analytics
Sustainability of Clinic Productivity

- Transparency of data across individuals, divisions, and departments
- Departmental and individual incentives for productivity (X+Y+Z)
- *Choices with consequences!!*
- Understanding the why and seeing results is key!!!
Goal

Preserve the resources to accomplish all of our key missions!!
Message

• Keep the patient, quality, value and our people at the top of everything that we do!!

• HealthCare is a team sport and we have a great team doing great work!!

• We have to take advantage of that team to deal with the challenges we have NOW!! And Coming Soon!!

• We need to engage our front line staff with data and get there input on moving forward!!

• Create the resources to continue to invest!
Message

• Sky is not falling... but not crying wolf either!!
• Have to evolve to transparency and trust!!
• Growing, maximizing revenues, controlling costs and working as a team!!
• Being timid did not get UK HealthCare to the place it is today!!
• We have the team to win!!
Life is like a dogsled team. If you ain’t the lead dog, the scenery never changes !!!!

– Lewis Grizzard